IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
THE FAIRCHILD CORPORATION, et al.,[1]	)	Case No. 09-
Debtors.	)	Joint Administration Pending

DECLARATION OF DONALD E. MILLER, CHIEF RESTRUCTURING OFFICER OF EACH OF THE DEBTORS, IN SUPPORT OF FIRST DAY PLEADINGS

I, Donald E. Miller, hereby declare under penalty of perjury:

1. I am over the age of 18 and am competent to testify. I am the Chief Restructuring Officer of The Fairchild Corporation ("Fairchild") and each of the other debtors and debtors-in-possession in the above-captioned cases (collectively with Fairchild, the "Debtors"). I have served in this role since February 5, 2009. Prior to that time, I served in various capacities, but primarily as the Executive Vice President, General Counsel and Secretary of Fairchild from January 1, 1991 until my retirement on December 31, 2008. In this capacity, I am generally familiar with the Debtors' day-to-day operations, business affairs, books and records.

2. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge of the Debtors' operations and finances, information learned from my review of relevant documents and information supplied to me by other members of the Debtors' management and the Debtors' advisors. I am authorized to submit this Declaration on behalf of the

[1] The last four digits of Fairchild's federal tax identification number are 8587. The mailing address for Fairchild is 1750 Tysons Boulevard, Suite 1400, McLean, VA 22102. Due to the large number of Debtors in these cases, for which the Debtors have requested joint administration, a complete list of the Debtors, the last four digits of their federal tax identification numbers and their addresses is not provided herein. A complete list of such information may be obtained on the website of the Debtors' proposed noticing and claims agent at http://chapter11.epiqsystems.com/fairchild.

Debtors and, if called upon to testify, I could and would testify competently to the facts set forth herein.

3. On the date hereof (the "Petition Date"), the Debtors commenced their respective bankruptcy cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under chapter 11 of the bankruptcy code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"). No creditors' committee has yet been appointed in the Chapter 11 Cases by the United States Trustee. The Debtors are continuing in possession of their respective properties and are operating their respective businesses, as debtors-in-possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. To minimize the adverse effects of filing for bankruptcy protection on their businesses, the Debtors have requested various types of "first-day" relief (collectively, the "First Day Motions"). The First Day Motions seek relief intended to allow the Debtors to perform and meet those obligations necessary to fulfill their duties as debtors-in-possession. I am familiar with the contents of each First Day Motion (including the exhibits thereto), and believe that the relief sought in each First Day Motion: (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity or value, (b) constitutes a critical element in achieving a successful reorganization of the Debtors, and (c) best serves the Debtors' estates and creditors' interests. A description of motions filed on the Petition Date for various types of "second-day" relief (collectively, the "Second Day Motions") is also included herein.

5. I am authorized to submit this Declaration in support of the Debtors' petitions for relief under the Bankruptcy Code, the First Day Motions and the Second Day Motions. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, information supplied to me by other members of the Debtors' management and

professionals, or learned from my review of relevant documents or upon my opinion based upon my experience with and knowledge of the Debtors' operations and financial condition. If called, I could and would testify competently to the facts set forth herein.

Situational Overview

Introduction

A. The Debtors' Businesses.

6. The Debtors are a multi-faceted group of companies with a history dating back to 1961. Until recently, the parent Debtor, Fairchild, was publicly traded on the New York Stock Exchange (the "NYSE"). Over the years the Debtors have acquired and sold a wide variety of businesses. As of the Petition Date, the Debtors' operations are in two distinct divisions: Fairchild Sports and Banner Aerospace each of which has several companies in its group. In addition to these two operating divisions, Fairchild owns several parcels of real estate in Farmingdale, New York, which it has been in the process of selling or developing.

7. **Fairchild Sports**. Fairchild Sports ("Fairchild Sports") consists of three businesses: Polo Express ("Polo"), Hein Gericke ("HG") and Fairchild Sports USA ("FSUSA"), each concentrating primarily on motorcycle protective apparel, helmets and technical accessories for motorcyclists. Polo is a German company which operates 94 retail shops in Germany and Switzerland.2 HG is also a German company and operates 139 retail shops in five European countries. FSUSA operates, designs and distributes operations in the United States, supporting

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

the HG stores and independently selling to third-party retailers. While neither Polo nor HG is a Debtor in the Chapter 11 Cases, FSUSA is one of the Debtors.

8. **Banner**. Banner Aerospace Holding Company I, Inc. ("Banner") is a related group of aerospace businesses consisting of six (6) companies: DAC International, Inc.; GCCUS, Inc.; Matrix Aviation, Inc.; NASAM Incorporated; Professional Aircraft Accessories, Inc.; and Professional Aviation Associates, Inc. Together, the Banner companies provide two basic types of services: (i) distribution of aerospace equipment (avionics, instrumentation, radar systems, King Air or Learjet parts) and (ii) repair/overhaul of Beechcraft, Gulfstream, Embraer, Lockheed, Boeing and Bombardier aircraft (with specializations in pressurization, instrumentation, avionics, aircraft accessories and airframe components). Banner's distribution operations stock and distribute a wide variety of aircraft parts to commercial airlines, air carriers, fixed-base operators and corporate operators and other aerospace companies. Banner's repair and overhaul services specialize in landing gear, pressurization components and instruments for customers worldwide. Other than certain foreign business shells, each of the Banner companies are Debtors in the Chapter 11 Cases.

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

B. Economic Performance and Other Challenges.

10. The Debtors as a whole have experienced annual operational losses for more than ten years. While not all of these losses are attributable to present business operations (they are, in part, due to challenges facing operations that were once part of the Debtors), current

operations as a whole continue to operate at a loss. Both Polo and Banner have been working to keep pace with recent economic events challenging their businesses worldwide. However, the remainder of the Debtors' operations have been more severely hurt by these economic events.

11. On a stand-alone basis, both Banner and Polo have been profitable. Banner employs over 190 salaried and hourly employees, working primarily in locations throughout the United States. It posted annual revenues exceeding $85 million and net operating income of $6.5 million for the fiscal year ended September 30, 2007. In fiscal 2007, Polo posted annual revenues exceeding $140 million and net operating income of $12 million. This collective net operating income was offset in 2007 by operational losses at FSUSA and HG combined with substantial Fairchild corporate overhead for losses exceeding $59 million.

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

13. On November 8, 2004, a shareholder derivative action was filed in the Delaware Chancery Court against certain former officers and directors of Fairchild, some of whom continue to serve, alleging, primarily, that Fairchild's former (and now deceased) Chairman and CEO, Jeffrey Steiner, and to a lesser extent, his son, Eric Steiner, had received from Fairchild payments to which they were not entitled and/or were excessive (the "Derivative Action"). The Derivative Action resulted in the entry of a Amended and Supplemental Stipulation of

Settlement of The Fairchild Corporation Stockholder Derivative Litigation (the "Consent Decree") approved by the Chancery Court on November 23, 2005. Among other things, the Consent Decree provided that:

- Jeffrey Steiner would reimburse Fairchild for legal expenses and fees incurred in connection with certain specified litigation;
- Both Jeffrey Steiner's and Eric Steiner's employment agreements would be reduced in term and in amount of compensation;
- An 'Oversight Committee' consisting of non-management directors would be established to review and give prior approval for all transactions, compensation or other payments to any executive officer;
- Fairchild would conduct a review and overhaul of the process by which business expenses are approved and reimbursed, including the elimination of corporate credit cards for non-sales employees;
- Fairchild would close its Paris office;
- Fairchild would not lease any aircraft from Steiner-related entities; and
- Changes would be made to the way existing Executive and Compensation Committees were empowered, constituted and conducted.

C. Turnaround Efforts.

14. Beginning in 2006, the Phoenix Group ("Phoenix") indicated an interest in establishing a position in the companies. Phoenix is a Delaware limited liability company that, through managed funds, has specialized in making privately negotiated equity and equity-related investments in North American small-capitalization public companies with turnaround opportunities. Phoenix is managed by its main principals, Philip S. Sassower and Andrea Goren, who together have over 40 years of experience in turning around publicly-traded companies. The Debtors had a series of negotiations with Phoenix that ultimately resulted in Phoenix,

through Phoenix FA Holdings, LLC, acquiring from outside shareholders approximately 30.5% of the outstanding Class A Common Stock of Fairchild in December of 2007.

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

- Following the investment, Messrs. Sassower and Goren were elected by the Board as independent members;
- On May 13, 2008, the Board following an annual meeting of the shareholders of Fairchild asked Mr. Sassower to take on the role as Chairman, with Jeffrey Steiner remaining in his role as Director and Chief Executive Officer and Eric Steiner remaining as Director, President and Chief Operating Officer;
- On October 7, 2008, Jeffrey Steiner resigned from his role as Chief Executive Officer due to illness. On that same date, the Board asked Mr. Sassower to take on the additional role of Chief Executive Officer, which he agreed to do with Eric Steiner on a shared, acting basis, as Chief Executive Officers;
- On November 1, 2008, Jeffrey Steiner passed away, creating a vacancy on the Board that has not been filled;
- On December 12, 2008, Eric Steiner resigned from his role as Acting Co-Chief Executive Officer, President and Chief Operating Officer. He remains a Director. As a result of Eric Steiner's resignation, Mr. Sassower was asked to and agreed to become sole Acting Chief Executive Officer;
- On December 29, 2008, Warren D. Persavich, President and former Senior Vice President and Chief Financial Officer of Banner, resigned. At the same time, Richard P. Nyren, Fairchild's Controller, left the Debtors for another position; and
- On December 31, 2008, Donald E. Miller, Fairchild's Executive Vice President, General Counsel and Secretary, retired.

16. The net result of these overwhelming changes in management has been that Mr. Sassower, himself new to Fairchild but presently both Chairman of the Board and Acting Chief Executive Officer, has been left with the task of managing the Debtors' operations and finding and implementing a turnaround strategy in the best interest of the Debtors, their estates, and all

parties in interest. Despite the unlikelihood that Phoenix's investment in Fairchild will recover anything from the efforts, Mr. Sassower has accepted no compensation from the Debtors in return for Fairchild's ever-increasing demand for his services, and has made extraordinary efforts to find a solution to Fairchild's issues.

17. Among other things, Fairchild's management has significantly reduced corporate overhead, much of which was disproportionately high as a legacy from the Debtors' previous, much larger organization and its former composition. For example, the Debtors currently employ only thirteen salaried employees and consultants in their corporate offices, down from over forty in August 2008. It has also closed two satellite executive offices used primarily by Jeffrey Steiner, and discharged all personnel associated with those offices. The resulting annual reduction in base salary alone has been nearly $5 million.

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

19. Fairchild's Oversight Committee has also begun the process of investigating and, where appropriate, asserting claims against the Estate of Jeffrey Steiner who may have wrongfully extracted value from the Debtors.

20. The Debtors also engaged the independent services of the law firm of Curtis, Mallet-Prevost, Colt & Mosle LLP ("Curtis") and the turnaround advisory firm of CRG Partners Group LLC ("CRG") to assist the Debtors in developing strategies to deal with the Debtors' deteriorating financial and operating condition. Neither Curtis nor CRG had previously worked for the Debtors, Phoenix or any of their respective affiliates.

21. Despite the efforts of Mr. Sassower and the Debtors, it has not been enough. Given the state of the current world economy, drastically changed exchange rates and the overall depression in sales and corresponding revenue reduction all business are presently experiencing, the Debtors have been unable to cope with falling revenues and at the same time address legacy liabilities: while the value of the Debtors' assets are drastically reduced when marked to the current market, their liabilities have been growing. All of the Debtors' businesses have been hampered with numerous legacy liabilities, including under-funded pension obligations, retiree benefits, environmental claims, tort and other litigation. The development of their real estate assets has been blocked by expensive, obstructionist litigation. For example, the Debtors have been unable to make their last two quarterly pension fund payments of nearly $1 million each due to insufficient liquidity to make the payments and satisfy operational costs.

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

D. Need for Relief.

23. Given the foregoing factors, the Debtors have determined that chapter 11 affords them the best possible tool to preserve and realize upon the going-concern value of the Banner entities and the equity ownership in Polo, and their real estate ventures, while at the same time

addressing the significant impact of the legacy liabilities of the Debtors as a whole. The Debtors further believe that the forum provided in these Chapter 11 Cases will allow them to effectively realize upon their claims against third parties noted above.

24. In consultation with their professionals and after careful examination by the Debtors Board of Directors, the Debtors have determined that chapter 11, combined with an expeditious sale of the Banner companies through an auction process, is the best and most efficient way to maximize a return for the Debtors, their estates, and all parties-in-interest. In making this decision, the Debtors have taken into account the volatility to Banner's primarily service-based companies, the need to provide continuity and stability for Banner's customers and creditors and the further goal of preserving the employment of the Banner employees.

25. To further these efforts, Phoenix offered to the Board that if a buyer for Banner can not be found, Phoenix will purchase the Banner companies and finance the Chapter 11 Cases through the consummation of such a sale. The purpose of the offer was to allow the Debtors to know that both options were available, while having the opportunity to seek higher and/or better offers. In keeping with Phoenix's offer, and, given the inherent conflict presented by Phoenix's offer, the Board and Mr. Miller, who the Board retained to act as Chief Restructuring Officer and to report directly to it, instructed both CRG and Curtis to make a substantial effort to locate an independent buyer for Banner and another source of financing.

26. As set out in further detail in the sale pleadings filed contemporaneously with or shortly after the commencement of the Chapter 11 Cases, despite those efforts, no comparable buyer or source of post-petition financing has been found. The Board, with Messrs. Sassower and Goren not participating, determined in its business judgment that Phoenix's "backstop" offer is in the Debtors' best interests. Given the rapidly deteriorating financial condition of the

Debtors, the Board has determined to go forward with the Phoenix offer (subject to a full auction process) while at the same time continuing their search for alternative transactions.

27. Today's filing reflects those decisions. The Debtors have sought protection under chapter 11 to provide themselves with the best platform from which to quickly realize upon the value of the Banner assets, and have contemporaneously filed (or shortly hereafter) motions to establish sale and bidding procedures—with Phoenix as the "stalking horse" buyer—to sell Banner and related assets to Phoenix or such higher and/or better bidder to emerge from the procedures requested. Further, the Debtors are seeking to enter into the short term financing arrangement proposed by Phoenix. The DIP Loan is essentially a bridge loan. In conjunction with a second debtor-in-possession facility from PNC Bank, N.A., the debtor-in-possession facility from Phoenix ensures that the Debtors will have sufficient liquidity to complete the sale of Banner while safeguarding its going-concern value in the interim between the Petition Date and the closing of the sale, and that the projected necessary working capital for the rest of the Debtors to continue the Chapter 11 Cases will be afforded prior to receiving the proceeds from the sale.

28. The Chapter 11 Cases have therefore been instituted to enable the Debtors to effectively take these steps and otherwise maximize the value of their ass ets.

First Day Motions

29. To minimize the adverse effects of the Chapter 11 Cases on their business, the Debtors have requested various types of relief in the First Day Motions, which have been filed concurrently with this Affidavit. For the reasons discussed herein, the Debtors believe that the

relief requested in the First Day Motions is necessary and appropriate and in the best interest of the Debtors' estates, creditors and other parties in interest.[3]

A. Motion of Debtors for Entry of an Order Directing Joint Administration of Cases.

30. As reflected in the corporate organization chart attached hereto as **Exhibit A**, Fairchild is the direct or indirect parent of all of the Debtors. The sixty-one (61) Debtors in these Chapter 11 Cases are "affiliates" as that term is defined in section 101(2) of the Bankruptcy Code. The Debtors seek entry of an order directing joint administration of their Chapter 11 Cases for procedural purposes only. The Debtors believe that entry of an order directing joint administration of these Chapter 11 Cases will ease the administrative burden on the Court and the parties, simplify the United States Trustee's supervision of the administrative aspects of these cases, and have no adverse affect on creditors because it requests only administrative, and not substantive, consolidation of the estates. Accordingly, the Debtors believe joint administration is in the best interests of the Debtors' estates, their creditors and other parties in interest.

B. Motion of Debtors for Entry of an Order Extending the Time To File (I) Schedules of Assets and Liabilities, (II) Schedules of Executory Contracts and Unexpired Leases, (III) Lists of Equity Security Holders, (IV) Schedules of Current Income and Expenditure and (V) Statements of Financial Affairs.

31. Each of the Debtors requests the entry of an order extending the time for filing its respective Lists, Schedules and Statements of Financial Affairs for an additional 30 days, for a total of 60 days from the Petition Date, without prejudice to the Debtors' ability to request additional time should it become necessary. Given the number of Debtors, the size and complexity of the Debtors' operations and the critical matters that the Debtors' staff or accounting and legal personnel must address in the initial days of these Chapter 11 Cases, the

[3] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the relevant First Day Motion. I use the defined term "Motion" or "Application" in reference to the first-day pleading bearing the same title as the heading of the subsection in which the term has been used, and the term "Order" in reference to the proposed order attached to that Motion or Application.

Debtors believe that an extension of time to file Lists, Schedules and Statements of Financial Affairs is necessary and that sufficient cause for an extension exists.

32. Based on the foregoing, the Debtors submit that the relief requested herein is necessary and appropriate and is in the best interests of their estates and creditors.

C. Motion of Debtors For Entry of an Order Authorizing Them To Employ and Retain Epiq Bankruptcy Solutions, LLC as Notice, Claims and Solicitation Agent.

33. The Debtors request approval to retain and employ Epiq Bankruptcy Solutions, LLC ("Epiq"), subject to further order of the Court and that certain Epiq Bankruptcy Services Agreement, dated as of March 4, 2009, by and between Epiq and the Debtors, to provide certain noticing, claims processing and balloting administration services. The Debtors believe that Epiq's assistance will expedite services of notices, streamline the claims administration process and permit the Debtors to focus on their reorganization efforts.

34. The Debtors believe that Epiq is well qualified to provide such services because Epiq has provided identical or substantially similar services in other chapter 11 cases in this district. The notice, claims and solicitation agent in the Chapter 11 Cases is in the best interests of the Debtors, their estates and creditors.

D. Motion of Debtors for Entry of an Order Authorizing Continued Use of Existing Bank Accounts, Cash Management System, and Checks and Business Forms.

35. The Debtors use the Accounts in the ordinary course of business to enable them to manage their cash (the "Cash Management System") and to meet their obligations in a timely and efficient manner. The principal components of the Cash Management System and the flow of funds among the Accounts is illustrated in the charts attached to the Motion as **Exhibit B** and described below.

(A) The Fairchild Corporation and The Fairchild Holding Corp. Cash Management System

36. The Debtors utilize a central operating account maintained at Bank of America, account number XXXXXXXX8204 (the "Central Operating Account"), for the purpose of receiving deposits, payments and other transfers, and for paying operating expenses including payroll not paid from other accounts.

37. Funds flow into the Central Operating Account from nine different accounts, including (a) a sweep account, (b) money market and investment accounts, (c) margin loan accounts, (d) collateral accounts and (e) restricted cash accounts, as further described below.

38. First, the Central Operating Account is funded through the use of a money market account which the Debtors maintain at Banc of America Securities LLC, account number XXX-XXX31-1-1 (the "Sweep Account"). Cash in excess of $5,000 in the Central Operating Account is regularly swept into the Sweep Account. Alternatively, if available funds in the Central Operating Account are below $5,000 at the beginning of a given business day, or if a demand for payment is made from the TFC Disbursement Accounts (as defined below) in excess of available funds held in the Central Operating Account at any given time, then appropriate amounts are automatically transferred from the Sweep Account into the Central Operating Account. Funds held in the Sweep Account earn interest at a rate higher than those held in the Central Operating Account.

39. The Central Operating Account is also funded from three investment accounts maintained by the Debtors with Citigroup/Smith Barney (the "Investment Accounts"). These Investment Accounts, account numbers XXX-XXX41-15, XXX-XXX78-17 and XXX-XXX06-16, hold a number of different investments. Most notably, the Investment Accounts hold approximately 2,934,750 shares of Aqua Bounty Technologies Inc. stock, which is traded on the London Stock Exchange and valued at approximately $163,172.00; 100,000 shares of MRU

Holdings stock, which is traded on the NYSE and valued at approximately $400.00; and 1,251,195 shares of Simigon LTD stock, which is traded on the London Stock Exchange and valued at approximately $203,965.13. The Debtors, through Banner Investments (UK) Limited, a non-filing wholly owned subsidiary of Fairchild Holding Corp., also have an investment with Cheyne Capital which is valued at approximately $3,099,782.64. The Debtors also have an investment with Imagesat which is valued at approximately $3,250,000. The Debtors also have an investment account with Think Equity Partners LLC, account number XXX-XXX51-15, which was set up to hold equity securities.

40. The Debtors maintain a margin loan account with Citigroup/Smith Barney, account number XXX-XXX40-13 (the "Margin Loan Account"), which can be used by the Debtors for borrowings secured by securities in the Investment Accounts. To the extent of any borrowings, such amounts would be funded into the Central Operating Account. The Margin Loan Account only permits borrowings on securities traded on an exchange in the United States, and the Debtors are not currently using the Margin Loan Account.

41. The Debtors also maintain two collateral broker accounts (collectively, the "Collateral Broker Accounts") with Bank of America which can be used to fund the Central Operating Account. One of the Collateral Broker Accounts, account number XXX-X0504, is a money market treasury fund holding $1.3 million. The second account, account number XX1-468, contains a certificate of deposit in the amount of $1.6 million. The Collateral Broker Accounts are used to secure various outstanding letters of credit and cash processing.

42. Lastly, the Central Operating Account is also funded through a money market account at Banc of America Securities, LLC, account number XXX-XXX81-15.

43. Funds in the Central Operating Account flow down and are automatically distributed to four accounts at Bank of America (the "TFC Disbursement Accounts"). The first of the TFC Disbursement Accounts is a corporate check clearing account, account number XXXXXXXX7142, which is used to process checks written by the Debtors' corporate office. The second is a flexible health plan disbursement account, account number XXXXXXX7139, which is used by the Debtors to administer the flexible spending plan offered to their employees. The last two TFC Disbursement Accounts are workers-compensation accounts, account numbers XXXXXXXX7113 and XXXXXXXX7126, and the Debtors are required to maintain these accounts under California law.

44. The Debtors have various other standalone accounts, which are accounts not funded or connected to the Central Operating Account.

45. The first standalone account is a loan-repayment account maintained by the Debtors at Bank of America, account number XXXXXXXX5060. The account was opened in connection with a previous loan which has since been paid off. This account is currently open but has a zero balance.

46. The second standalone account is an account with Bank of America for Fairchild Sports USA, Inc., account number XXXXXXXX8471 (the "Fairchild Sports USA Disbursement Account").

47. The third standalone account is an account with Bank of America related to certain retiree benefits, account number XXXXXXXX7805 (the "Retiree Disbursement Account"). The Retiree Disbursement Account is funded from proceeds of a third-party class action lawsuit and, although checks from the Retiree Disbursement Account are still being

drawn, they are being paid not by the Debtors but from proceeds of the third-party class action lawsuit.

48. The fourth standalone account is an environmental escrow account. The Debtors maintain this account with KeyBank, account number XXXXXXXX1004. The account holds two environmental reserves related to property in Farmingdale, New York, owned by Republic Thunderbolt, LLC. As of the Petition Date, there was approximately $5.1 million in one of the reserves and $44,000 in the other.

49. The last standalone account is a mortgage account. This mortgage account with Bank of America, account number XXXXXXXX2689, in accordance with a mortgage agreement on property in Farmingdale, New York, is used to fund operating and related obligations of Republic Thunderbolt West, LLC. This account is funded only when needed and, as of the Petition Date, it had a zero balance.

(B) The Banner Cash Management System

50. The Debtors maintain an operating account for Banner (the "PNC Operating Account") at which they receive loans and borrowings from PNC Bank, National Association (the "PNC Bank"). The PNC Operating Account is maintained at PNC Bank, account number XXXXXX8887. The PNC Operating Account then funds another operating account, maintained at Bank of America, account number XXXXXXXX3405 (the "BACH Operating Account"), for the purpose of receiving deposits, payments and other transfers, and for paying operating expenses. In order to guarantee that the BACH Operating Account will always have sufficient funds to supplement the Banner Disbursement Accounts (as defined below), an additional $5,000 is distributed to the BACH Operating Account by the PNC Operating Account each time a borrowing is requested from the PNC Operating Account.

51. Funds then flow from the BACH Operating Account into six disbursement accounts at Bank of America (the "Banner Disbursement Accounts"). The Banner Disbursement Accounts are used for the purpose of receiving deposits, payments and other transfers, and for paying operating expenses including payroll not paid from other accounts. The Banner Disbursement Accounts maintain a zero balance. As a withdrawal is made against a Banner Disbursement Account, the BACH Operating Account automatically places funds in the amount of the withdrawal into the Banner Disbursement Account.

52. The Banner Disbursement Accounts include the: (a) DAC Int'l Disb Account, account number XXXXXXXX7058; (b) Matrix Aviation Disb Acct, account number XXXXXXXX7087; (c) NASAM Disb Acct, account number XXXXXXXX7061; (d) Prof Aviation Disb Acct, account number XXXXXXXX7090; (e) Prof Aircraft Disb Acct, account number XXXXXXXX7074; and (f) GCCUS Disb Acct, account number XXXXXXXX9836.

53. The Debtors maintain five lockbox accounts all at Bank of America to collect receivables; such lockboxes are the following: (a) DAC Int'l Lockbox, DDA XXXXXXXX6385, (b) Matrix Aviation Lockbox, DDA XXXXXXXX6372, (c) NASAM Lockbox, DDA XXXXXXXX6330, (d) Prof Aviation Lockbox, DDA XXXXXXXX6343 and (e) Prof Aircraft Lockbox, DDA XXXXXXXX6356.

54. The Debtors maintain two collection accounts: one that is held at PNC Bank, account number XXXXXX8895 and the other that is held at Bank of America, account number XXXXXXXX6534.

55. At the end of each day, the funds in the lockbox accounts are swept into the Bank of America collection account and then into the PNC Bank collection account, whereby PNC

Bank applies those funds to the revolver. PNC Bank has a security interest and lien on the lockbox accounts and all checks deposited therein pursuant to a control agreement.

56. Lastly, Banner maintains a restricted cash account at Bank of America Securities, LLC, account number XXX-XXX41-1-4. Banner also has another account at Bank of America Securities, account number xxx778, which holds a restricted certificate of deposit in the amount of $600,000.

57. The Debtors have utilized their cash management system in its current structure for a number of years as part of their ordinary and usual business practices. Given the corporate and financial structure of the Debtors, it would be difficult to establish an entirely new cash management system for each debtor entity.

58. In the ordinary course of business, in addition to disbursements by check, the Debtors conduct transactions by debit, wire or ACH payments and other similar methods, as discussed above. In addition, a certain percentage of the Debtors' customer receipts are received through wire payments. To deny the Debtors the opportunity to conduct transactions by debit, wire or ACH payment or other similar methods would interfere with the Debtors' performance of their contracts and unnecessarily disrupt the Debtors' business operations, as well as create additional costs to the Debtors and their affiliates.

59. As described in the Motion, in the ordinary course of business, the Debtors use numerous varieties of business forms. To minimize expenses to the estates, the Debtors believe it is appropriate to continue to use all correspondence and business forms (including, but not limited to, letterhead, purchase orders, invoices and stock checks) as such forms were in existence immediately prior to the Petition Date, provided, however, that upon depletion of the

Debtors' business forms stock, the Debtors will obtain new business forms stock reflecting their status as debtors-in-possession.

60. Although the Debtors do not believe they have any overnight investments that implicate section 345 of the Bankruptcy Code, they believe it is appropriate that an extension be granted for a period of 45 days with respect to this matter.

61. In light of the Debtors' protective measures, the Debtors submit that maintaining the cash management system is in the best interests of their respective estates and creditors.

E. Motion of Debtors for Entry of an Order (A) Authorizing, But Not Directing, Debtors To Pay Certain Prepetition (I) Wages, Salaries and Other Compensation, (II) Reimbursable Employee Expenses and (III) Employee Medical and Similar Benefits and (B) Authorizing and Directing Financial Institutions To Honor All Related Checks and Electronic Payment Requests.

(1) Description of Employee Wages, Salaries and Other Compensation

62. The Debtors participate in, or are obligated under, a number of different salary, wage, and benefit structures and employee programs and plans. In addition to their standard compensation programs, the Debtors provide certain medical, dental, vision, life insurance, disability insurance, and other related benefits to their employees, and the Debtors reimburse employees for ordinary business expenses and provide other incentives for certain employees.

63. Under these various structures, programs, and plans, employees of the Debtors are owed various pre-petition payments and benefits that were not yet paid or otherwise realized prior to the Petition Date, and other parties have incurred related costs prior to the Petition Date. In most instances, the benefits received by the Debtors' employees are the same whether they are employed in the Debtors' corporate office, by Fairchild Sports USA, Inc. ("Fairchild Sports"), or by Banner Aerospace Holding Company I, Inc. and its subsidiaries (the "Banner Group").

(i) Wages and Salaries

64. As of the Petition Date, the Debtors have 122 salaried employees and 100 hourly wage employees.[4]

65. The Debtors' employees at the corporate office and at Fairchild Sports are paid every other Thursday. The Debtor's employees at the Banner Group are paid every other Friday. Salaried employees are paid currently for work completed during the immediately preceding two weeks, with the applicable pay period ending the next Sunday, while hourly wage employees are paid one week in arrears, with the applicable pay period ending the previous Sunday. Ordinarily, this bi-weekly payroll, net of employee withholdings, aggregates approximately $271,277 for salaried employees and approximately $101,156 for hourly wage employees. The last payroll dates for the employees at the corporate office and at Fairchild Sports was on March 12, 2009 while the last payroll dates for the Banner employees was on March 13, 2009.

66. The Debtors utilize an external payroll processing service company, Automated Data Processing, Inc. ("ADP"), to facilitate the distribution of paychecks to their employees and to handle other related tasks. On the day prior to a pay day, ADP executes a reverse wire and removes direct deposit amounts and all taxes from the Debtors' accounts, but other employee benefit contributions are not funded in advance. The average yearly cost for services provide by ADP is approximately $64,318, including amounts paid for services provided by ADP in connection with the 410(k) Plan (as defined below), and as of the Petition Date, the Debtors believe they owe approximately $4,695 in accrued but unpaid administrative fees to ADP.

67. In addition, the Debtors utilize a third-party benefits administrator, Willis Benefits of Pennsylvania ("Willis"), to manage the various benefit elections of their employees and to

[4] Additionally, the Debtors are parties to consulting agreements with certain employees At this time, the Debtors are only seeking authority to pay these employees for any accrued but unpaid wages, and they are not seeking to assume the consulting agreements.

administer related plans. Willis assists the Debtors in providing various benefits to their employees and facilitates necessary billing and allocation of payments during each pay period. For these services, as of the Petition Date, the Debtors believe they owe approximately $20,625 in accrued but unpaid fees to Willis. The Debtors' agreement with Willis will terminate in March 2009, and starting April 1, 2009, Armada Consulting Group LLC ("Armada") will commence providing services previously provided by Willis. In connection with this transition, as of the Petition Date, the Debtors believe they owe approximately $12,500 in accrued but unpaid fees to Armada.

(ii) Reimbursement of Expenses

68. In the ordinary course of their business, the Debtors reimburse employees for business expenses incurred in connection with services rendered for the benefit of the Debtors, subject to established guidelines. As of the Petition Date, certain employees may not have submitted expense reimbursement requests, or such requests may have been made but not yet processed.

69. As of the Petition Date, the Debtors estimate that the amount of reimbursements accrued but not yet requested, or requested but not yet paid, should not exceed approximately $6,000.

(iii) Payroll Withholdings

70. Included in the payroll amounts described above are funds withheld by the Debtors for the benefit of third parties. Specifically, the Debtors, through ADP, withhold taxes, deductions, and other withholdings from the wages and salaries of their employees, as required by federal, state, and local laws, and the Debtors transfer such withheld funds to the appropriate government agencies, according to pre-set payment schedules.

71. The Debtors believe that, as of the Petition Date, the aggregate amount of such funds withheld and not yet transferred, or transferred but not yet presented for payment or cleared through the banking system, including amounts related to the Severance (as defined below) should not exceed approximately $62,000.

72. In addition, in compliance with court orders, the Debtors have at certain times garnished specific amounts from certain employees' salaries earned during each payroll cycle and transferred those funds directly to state or other agencies to be distributed in accordance with the applicable court order. As of the Petition Date, there are currently garnishment orders for five (5) of the Debtors' employees in effect.

(iv) Severance

73. The Debtors have provided terminated employees with severance (the "Severance") upon and after termination based on such employees' length of service with the Debtors. Specifically, severed employees have received severance of approximately two weeks of pay at their current salary for every year of prior service, capped at one year of pay. In addition, certain employees have been afforded other benefits upon termination, including continued health benefits, COBRA (as defined below) health coverage paid through withholdings from their severance or the ability to purchase COBRA health coverage at a discounted rate, and automobile allowances.

74. All former employees that received severance have signed agreements with the Debtors, and as of the Petition Date, four (4) former employees are receiving severance. The Debtors estimate that the aggregate amount outstanding in Severance to such employees that accrued prior to the Petition Date is approximately $204,631.

75. As of the Petition Date, the Debtors will not continue to make any severance payments to employees that were terminated prior to the Petition Date.

(v) 401(k) Plan

76. All of the Debtors' employees are eligible to participate in a 401(k) plan (the "401(k) Plan") on the first day of the month after they have been employed by the Debtors for 60 days. The 401(k) Plan is administrated by Mercer HR Services ("Mercer"), and all fees for services, except those included as part of ADP's fees, related to the administration of the 401(k) Plan are paid out of the 401(k) Plan.

77. Under the 401(k) Plan, the Debtors withhold, at each participating employee's request, pre-tax pay for contribution to the 401(k) Plan, up to limits set by the Internal Revenue Service, and these contributions are fully vested immediately.[5] Amounts withheld are normally transferred to the 401(k) Plan within 15 business days following the end of the month in which contributions and/or repayments of employee loans are withheld, and the Debtors anticipate that, as of the Petition Date, they will have withheld, but not yet have transferred, employee contributions and/or repayments of employees loans in an aggregate amount of approximately $47,301.

78. To the extent the Debtors have in the past made any matching contributions, these contributions vest 20% for each year of service of an employee where the employee worked at least 1,000 hours. Accordingly, an employee would be fully vested after five years of service. As of the Petition Date, the Debtors will not continue to make any matching contributions to the 401(k) Plan.

[5] Under the 401(k) Plan, employees can also contribute after-tax pay to be invested along with pre-tax pay.

(vi) Pension Plans

79. The Debtors sponsor qualified defined benefit plans, supplemental executive retirement plans, and several other post-retirement benefit plans (collectively, the "Pension Plans"). As of the Petition Date, the Debtors believe that the Pension Plans are underfunded by as much as $50,000,000, and since October 15, 2008, the Debtors have been unable to make certain required contributions to the Pension Plans.

80. Prior to the Petition Date, the Debtors began the process of terminating their go-forward participation in the Pension Plan.

(vii) Paid Time Off

(a) Holidays

81. All of the Debtors' employees are eligible for certain paid holidays. The Debtors designate 13 days as paid holidays each year, and the Debtors' general practice has been to designate them around the year-end holidays. As of the Petition Date, the Debtors' total estimated accrued but unpaid holiday liability is approximately $1,550.

(b) Paid Vacation

82. Employees have also been afforded annual paid vacation based on their length of employment with the Debtors. In the past, employees have carried over a portion of their unused vacation to the following year.

83. Vacation for full time salary and hourly employees has accrued as follows: (a) employees with less than five years service are given 10 vacation days a year; (b) employees with at least five years but less than 15 years of service are given 15 vacation days a year; (c) employees with at least 15 years but less than 25 years of service are given 20 vacation days a year; and (d) employees with at least 25 years of service are given 25 vacation days a year.

Employees with at least 25 years of service have the option of being paid cash for one week (five days) of vacation per year in lieu of using it for vacation. Part time hourly employees, on the other hand, accrue vacation on hours worked per year, prorated as appropriate.

84. Earned, unused, and accrued vacation may be paid upon separation from the Debtors. As of the Petition Date, the Debtors' total estimated accrued but unpaid vacation liability is approximately $751,147.

(c) Sick Leave

85. In addition, employees are eligible for paid sick leave, depending on whether they are salaried or hourly employees, and if they are salaried employees, depending on their length of service with the Debtors.

86. Specifically, in the Debtors' corporate office (a) full time hourly employees receive two weeks of sick leave per year, with any unused portion paid to those eligible employees the following January, (b) part time hourly employees accrue sick leave on hours worked per year, prorated as appropriate, and (c) salaried employees (i) with less than one year of service receive two weeks of sick leave, (ii) with at least one year but less than three years of service receive three weeks of sick leave, (iii) with at least three years but less than five years of service receive five weeks of sick leave, (iv) with at least five years but less than 10 years of service receive seven weeks of sick leave, (v) with at least 10 years but less than 15 years of service receive nine weeks of sick leave, and (vi) with at least 15 years of service receive 12 weeks of sick leave. Unused sick leave/personal days for such corporate employees do not carry over from year-to-year, and employees are not paid for unused sick days upon termination or separation.

87. Each of the subsidiary companies has its own sick leave policy. Fairchild Sports employees, on the other hand, earn 40 hours of sick leave a year, accruing pro rata each month. To the extent any accrued sick leave is not used during a given year, it is paid out the following January at half rate. Employees at DAC International, Inc. receive ten days of sick leave per year, while employees at NASAM Incorporated, Matrix Aviation, Inc., Professional Aviation Associates, Inc., and Professional Aircraft Accessories, Inc. earn ½ day of sick leave per month, accumulating to a total of six days per year.

88. As of the Petition Date, the Debtors' total estimated accrued but unpaid sick leave liability is approximately $2,400.

(d) Other Paid Time Off

89. In addition, employees are eligible for three paid bereavement days in the event of a death in an employee's immediate family, are eligible for up to 15 consecutive days a year for military leave, and are eligible for jury duty leave. The Debtors intend to continue to honor these programs during the Chapter 11 Cases.

(2) Health Care and Related Insurance Coverage and Employee Benefits.

90. The Debtors provide a health care package to all employees and their eligible dependents, including medical, dental, and vision plans and life insurance, accidental death & disability insurance, short-term disability insurance, and long-term disability insurance.

(i) Medical Benefits

91. The Debtors' medical plan (the "Medical Plan") is self insured by the Debtors with individual stop loss coverage of $85,000 provided by HCC Life Insurance Company

("HCC") and with the overall cost reduced by employee contributions.[6] Thus, the Debtors are responsible for the first $85,000[7] of medical claims of an employee, and thereafter, HCC would be responsible. In connection with the Medical Plan, the Debtors utilize a third-party claims administrator, CoreSource, and a prescription drug vendor, CVS Caremark.

92. Employees are entitled to participate in four versions of the Medical Plan, with the cost to electing employees of such plans depending on the level of coverage. Under all versions of the Medical Plan, there are pre-certification requirements, and electing employees may add coverage for their spouses and unmarried, dependent children, under the age of 19, or between the ages 19 and 27 if such children are attending certified educational institutions. Employees that decline coverage under the Medical Plan receive $50 per month (payable every two weeks), at a current cost of approximately $1,650 per month for the Debtors.

93. The first version of the Medical Plan is the "Network Only Plan," which provides high levels of coverage and low out-of-pocket costs when an employee uses in-network providers. The Network Only Plan includes a $200 individual and $600 maximum family deductible and provides for 100% coverage for most services and procedures.

94. The other three versions of the Medical Plan are "Preferred Provider Organization (PPO) Plans," which allow employees to use doctors or healthcare facilities of their choice. Each PPO plan carriers separate in- and out-of-network deductibles and limits, which are exclusive of each other, meaning that claims incurred out-of-network do not count towards in-network deductibles, and vice versa. In addition, the level of co-insurance varies from in- and out-of-network providers and depending on the actual PPO plan chosen.

[6] Certain retirees of the Debtors are eligible to participate in the Medical Plan. In connection therewith, these retirees pay 100% of projected premiums, with the ability to participate ending at age 65 or upon a retiree becoming eligible for Medicare.

[7] With respect to one employee the Debtors may be responsible for more than the first $85,000 of that participant's medical claims.

95. The monthly premium owed to HCC for providing stop loss coverage is $21,600, and the monthly fees owed to Core Source for administering claims is $5,100. As of the Petition Date, the Debtors estimate that they owe HCC approximately $21,670 and Core Source approximately $6,275 for fees that accrued prior to the Petition Date. Although the cost sharing varies from employee to employee, the Debtors estimate that approximately 20% of the costs of the Medical Plan are borne by their employees.

96. The Debtors also provide supplemental medical coverage (the "Supplemental Medical Plan") to eligible executive employees through Jefferson Pilot Financial Insurance ("Jefferson Pilot"). The Supplemental Medical Plan provides a maximum annual benefit of $50,000 for eligible employees (limited to $5,000 per occurrence), and the cost of this plan is a fixed annual premium of $250 per employee plus any claims plus a 10% administration fee. As of the Petition Date, only six (6) employees were participating in the Supplemental Medical Plan.

(ii) Dental Coverage

97. The Debtors' dental coverage (the "Dental Plan") is provided through Metropolitan Life Insurance Company ("MetLife") for electing employees. The monthly premium owed to Met Life for the Dental Plan is $15,900, and approximately 43% of this premium is covered by employee contributions.

98. Employees can participate in two forms of the Dental Plan: (a) a high option plan (the "High Plan") and (b) a basic option plan (the "Basic Plan"). The employee portion of the costs of the Dental Plan is as follows:

Covered	Cost for High Plan	Cost for Basic Plan
Employee Only	$39.61	$27.67
Employee and Spouse	$81.89	$56.33
Employee and Child	$87.10	$56.64
Employee and Family	$142.20	$93.13

99. As of the Petition Date, the Debtors believe that approximately $15,432 in unpaid premium for the Dental Plan had accrued but had not yet been paid to MetLife.

(iii) Vision Coverage

100. The Debtors also provide vision coverage (the "Vision Plan") through Vision Service Plan ("VSP"). The Vision Plan is automatically provided, and the associated premium is $2,500 per month.

101. The monthly fees associated with the Vision Plan are as follows:

Covered	Cost
Employee Only	$6.87
Employee and Spouse	$12.04
Employee and Child	$10.84
Employee and Family	$18.06

102. As of the Petition Date, the Debtors believe that approximately $2,500 in unpaid premium for the Vision Plan had accrued but had not yet been paid to VSP.

(iv) COBRA

103. Pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (as amended, "COBRA"), the Debtors are required to offer eligible former employees the opportunity to continue insurance coverage under the Debtors' then-existing medical and dental plans. Any eligible former employee who elects to participate in COBRA is entitled by law to such insurance coverage for up to 18 months.

104. Ten (10) of the Debtors' former employees currently receive such benefits, but the Debtors do not pay any out-of-pocket costs under COBRA other than what may be required under specific severance agreements. The Debtors will make no payments on account of such employees' COBRA claims in excess of the statutory priority afforded each employee under section 507 of the Bankruptcy Code, and only in accordance with the amounts calculated therein.

(v) Life Insurance

105. Through Mutual of Omaha ("Mutual"), the Debtors provide life insurance (the "Life Insurance Plan") at no cost to their employees. Eligible employees are provided with up to $750,000 of term life coverage, with the actual amount of coverage determined by applying a multiple of either (i) 2x or 3x the applicable employee's base pay for employees in the corporate office, (ii) 1.5x base pay for Fairchild Sports employees and (iii) 1.5x base pay for Banner employees, with six (6) officers receiving 3x base pay. In addition, the Debtors provide two non-employee directors with $50,000 of life insurance coverage.

106. The Debtors pay a monthly premium of $5,500 for the Life Insurance Plan, and as of the Petition Date, the Debtors estimate that they will owe approximately $2,400 in unpaid premium that has accrued but not yet been paid to Mutual.

107. Moreover, the Debtors, through Mutual, offer supplemental term life insurance (the "Supplemental Life Insurance Plan") to employees that wish to purchase additional coverage, to purchase coverage for their spouse, or to purchase coverage for their children. Employees that wish to purchase additional coverage for themselves may purchase up to $500,000 of coverage in $10,000 increments at different rates determined by age. Employees that wish to purchase coverage for their spouses may purchase coverage up to the lesser of $100,000 or 50% of their own coverage in $5,000 increments, also at different rates determined by age. Finally, employees that wish to purchase coverage for their children may purchase coverage up to $10,000 in $1,000 increments at the cost of $.10 per $1,000 of coverage.

108. The monthly premiums for the Supplemental Life Insurance Plan are approximately $1,600 for excess coverage for employees, $366 for coverage for spouses, and $24 for coverage for children, all of which are paid by the applicable employees themselves. As

of the Petition Date, the Debtors believe that approximately $1,976 in premiums under the Supplemental Life Insurance Plan that had already been collected had not yet been transferred to Mutual.

(vi) Disability Insurance

109. The Debtors provide short-term and long-term disability insurance to all employees through Mutual, at no cost to their employees. In addition, the Debtors offer supplemental long-term disability coverage also through Mutual paid for by electing employees.

110. The Debtors' long-term disability insurance policy (the "Long-Term Disability Plan") provides coverage equal to 60% of a non-officer employee's base pay, up to a maximum of $10,000 per month, beginning on the 181st day of continuous disability and continuing through the earlier of the affected party's 65th birthday or the end of the disability. For officers, the Long Term Plan provides coverage equal to 70% of base pay, up to a maximum of $14,000 per month, beginning on the 181st day of continuous disability and continuing through the earlier of the affected party's 65th birthday or the end of the disability.

111. The premium under the Long-Term Disability Plan totals approximately $5,300 per month ($4,400 for the employee portion, and $500 for the officer portion), and the Debtors believe that, as of the Petition Date, approximately $4,236 of that premium has accrued but not yet been paid to Mutual.

112. In addition, certain employees have elected to purchase supplemental long-term disability insurance (the "Supplemental Long-Term Disability Plan") from Mutual. Under the Supplemental Long Term Disability Plan, electing employees purchase an additional 6 2/3% coverage for a premium of $545. As of the Petition Date, the Debtors believe that approximately

$400 in premiums under the Supplemental Long-Term Disability Plan that have already been collected have not yet been transferred to Mutual.

113. The Debtors' short-term disability insurance policy (the "Short-Term Disability Plan") provides coverage equal to 60% of an employee's base pay, up to a maximum of $1,500 per week, beginning on the day of an accident and the 15th day of an illness. The Short-Term Disability Plan is self funded by the Debtors. The Debtors believe that, as of the Petition Date, approximately $359 of fees and claims have accrued but not yet been paid to Mutual.

(vii) Accidental Death & Dismemberment Insurance

114. The Debtors provide accidental death and dismemberment insurance coverage (the "AD&D Plan") for their employees through Ace American Insurance Company ("ACE"). The AD&D Plan provides eligible employees with coverage of $50,000.

115. The premium under the AD&D Plan is approximately $320 per month, and the Debtors believe that approximately $305 had accrued prior to the Petition Date but had not yet been paid to ACE.

116. In addition, certain employees have elected to purchase additional accidental death and dismemberment insurance coverage (the "Supplemental AD&D Plan"). Participating employees can purchase (a) additional coverage for themselves in increments of $10,000 up to $500,000, although any amounts over $250,000 cannot exceed 10x base pay, (b) coverage for their spouses in an amount equal to either 50% or 100% of such employees' coverage, and (c) coverage for their children in the amount of $10,000. The rates for such supplemental coverage are $.30 per $1,000 for additional individual coverage and $.23 per $1,000 for spouse and child coverage.

117. As of the Petition Date, the Debtors believe that approximately $467 in premiums under the Supplemental AD&D Plan that had already been incurred had not yet been transferred to ACE.

(3) Workers' Compensation Coverage

118. The Debtors are required to provide their employees with workers' compensation coverage for injuries occurring in the course of their employment. The Debtors maintain workers' compensation coverage (the "Workers' Comp Plan") through Liberty Mutual Insurance Group ("Liberty Mutual").

119. The premium for the Workers' Comp Plan is $112,009 per year and is financed pursuant to a premium financing agreement. The Debtors' current coverage with Liberty Mutual does not expire until December 15, 2009. At this time, the Debtors believe there are no workers' compensation claims pending, and intend to continue coverage in place while they investigate their options.

(4) Flexible Spending Accounts

120. The Debtors offer a flexible spending plan (the "Flex Spending Plan") that allows participating employees to withhold, on a pre-tax basis, amounts for reimbursement of eligible medical care expenses and dependent care expenses, up to limits set by the Internal Revenue Service. Approximately 16 employees participate in the Flex Spending Plan. Willis administers the Flex Spending Plan for the Debtors.

121. As of the Petition Date, the Debtors have withheld approximately $15,472 in employee contributions under the Flex Spending Plan.

(5) Other Benefits

122. In addition, employees of the Debtors are allowed to participate in a legal services referral and advice plan with GE Legal Services. The cost for this service is $7.50 per participating employee, paid by such employee, and the total monthly charge is approximately $173. As of the Petition Date, the Debtors believe that approximately $62 has been collected but had not yet been transferred to GE Legal Services on account of this plan.

123. For all of the foregoing reasons, the Debtors believe that granting the relief requested herein is appropriate and in the best interests of all parties in interest.

F. Motion of Debtors for Entry of an Order (I) Authorizing Payment of Certain Prepetition Taxes and (II) Authorizing and Directing Financial Institutions To Honor and Process Related Electronic Transfers and Checks.

124. In the ordinary course of business the Debtors incur taxes, including use, franchise, real and personal property and other taxes in operating its business. The Debtors estimate that approximately $191,000 in Taxes relating to the prepetition period will become due and owing to the Taxing Authorities in the ordinary course of business, with such payments due at various intervals throughout the year, through and including March 16, 2009.

125. In the normal course of business, the Debtors are required to collect sales taxes (the "Sales Taxes") from purchasers of their products on a per sale basis and periodically remit the Sales Taxes to the applicable Taxing Authorities. Typically, Sales Taxes accrue as products are sold, and such taxes are calculated based on a statutory percentage of the sale price. The process by which the Debtors remit the Sales Taxes varies, depending on the nature of the tax at issue and the Taxing Authority which is to be paid. Sales Taxes are remitted to the relevant Taxing Authorities either on the basis of estimated sales tax collections for the coming period or on the basis of sales tax actually collected from customers during the prior period. Similarly,

states differ with regard to the frequency of payments. With respect to those jurisdictions that require the Debtors to remit estimated Sales Taxes, the applicable Taxing Authority subsequently reconciles payments to determine any payment deficiency or surplus for the period and the applicable refund or payment is then made.

126. The Debtors also incur use taxes (the "Use Taxes") in the ordinary course of business. Purchases without Sales Tax occur when property or services are purchased from vendors that have no nexus to the resident state of the purchaser; such vendors are not obligated to charge or remit Sales Taxes for sales to parties outside the state of the vendor's operations. Nevertheless, a purchaser is typically obligated to self-assess and pay the Use Taxes, when applicable, to the state in which the Debtor operates. Here, liability for Use Tax arises out of activities such as purchases of equipment and purchases from Debtors' inventory for their own use.

127. The Debtors also pay real and personal property taxes in the ordinary course of business as such taxes become due. Property taxes are typically paid on an annual or quarterly basis. The Debtors believe that they are current with respect to payments of real and personal property taxes in New York and Virginia. Real and personal property taxes are due by the Debtors in Kansas and California.

128. Based on the foregoing, the Debtors submit that the relief requested in the Motion is necessary and appropriate, is in the best interest of their estates and creditors, and should be granted in all respects.

G. Motion of Debtors for Entry of an Order Determining Adequate Assurance of Payment for Future Utility Services.

129. In the ordinary course of their business, the Debtors incur utility expenses for water, sewer service, electricity, natural gas, telephone service, internet service and other services. On average, the Debtors spend approximately $52,600 each month on utility costs.

130. To provide additional assurance of payment for future services to the Utility Providers, the Debtors will deposit $26,300 (the "Utility Deposit") into a segregated, interest-bearing account within 20 days of the Petition Date. This amount represents a sum equal to 50% of the Debtors' estimated monthly cost of utility service (the "Utility Deposit Account").

131. If a Utility Provider is not satisfied that the establishment of the Utility Deposit Account provides adequate assurance of future payment, the Debtors propose a set of procedures in the Motion under which the Utility Provider may make additional requests for adequate assurance

132. The Debtors believe that uninterrupted utility services are essential to the Debtors' ongoing operations and, therefore, to the success of these Chapter 11 Cases. Simply put, the Debtors believe that, without utility services, the Debtors' operations will shut down.

H. Motion of Debtors for Entry of an Order Authorizing the Debtors To Honor Certain Prepetition Obligations to Customers and To Otherwise Continue in the Ordinary Course of Business Their Customer Programs and Practices.

133. In the ordinary course of business Banner uses marketing, sales and promotional practices, which are aimed at developing and sustaining positive reputations for Banner's products in the marketplace (collectively, the "Customer Programs"), and any prepetition claims with respect thereto.

134. Banner offers the majority of its Customer Programs to retailers who purchase Banner's products (the "Customers"). The Customer Programs are comprised primarily of return policies and warranties (the "Return Programs") and rebate programs (the "Rebate Programs").

135. Banner sells its products with customer warranties (the "Warranties"), which are provided to Customers upon their purchase of products. These Warranties allow the Consumers who purchase products to return such purchases within a certain amount of time for defects in workmanship and material for repair, replacement or refund of purchase price at Banner's discretion. Pursuant to the Warranties, Consumers who wish to return a product may do so but they are required to provide Banner with such information as (i) the date of installation of the product, (ii) the number of hours that the product in question was in use, (iii) the nature of the defect and (iv) any other information necessary to allow Banner to meet the warranty requirements. The amount of time in which a Consumer may return a product varies among the products, and is determined either on a set period of time or the amount of time that the product was in use.

136. Banner also has agreements with certain customers whereby the customer may obtain a volume discount on the amount of products ordered from Banner. As the amount of the invoice increases, Banner will provide a percentage discount on the invoice, up to a 5% discount on the total invoice.

137. The Customer Programs cost Banner an estimated $120,000 annually. The aggregate sum of Customer Program claims that are accrued but unpaid as of the Petition Date is impossible to determine with certainty under the facts and circumstances of these Chapter 11 Cases. By their nature, the amount of the Customer Program claims that could become payment obligations of Banner will not be determined until sometime in the future, and certain of these

amounts may never come into existence. The aggregate outstanding amount in relation to Customer Programs as of the Petition Date is approximately $6,000.

138. Continuing the Customer Programs in the ordinary course of business is in the best interests of the Debtors, their estates, their creditors and the other parties in interest.

I. Motion of Debtors for Entry of an Order Confirming Grant of Administrative Status to Obligations Arising From Postpetition Delivery of Goods or Performance of Services.

139. In the ordinary course of the Debtors' business, numerous Vendors provide the Debtors with merchandise, equipment, supplies, products and related items (collectively, the "Goods") or provide services (the "Services") to the Debtors, most especially to Banner. The Goods include, but are not limited to, parts and supplies necessary for the overhaul, repair and distribution of rotable parts, such as landing gear, radar and navigations systems, hydraulic and electrical components, defense-related items, custom hoses, instruments and avionics. As of the Petition Date, certain of such Goods may be in transit to the Debtors' facilities. Services include freight, information technology, repairs, maintenance, recruiting and advertising.

140. On average, the Debtors issue 1,200 purchase orders per month in the ordinary course of the Debtors' business. As of the Petition Date, the Debtors had approximately 1,125 Outstanding Orders with Vendors for Goods and Services. As a result of the filing of these Chapter 11 Cases, Vendors may be concerned that delivery or shipment of Goods or provision of Services after the Petition Date pursuant to an Outstanding Order will render such Vendors unsecured creditors of the Debtors' estates.

141. Accordingly, Vendors may decline to ship, or may instruct their shippers not to deliver, Goods destined for the Debtors or refuse to provide Services unless the Debtors issue substitute purchase orders post-petition. Reissuing 1,125 purchase orders would require a significant investment of the Debtors' resources and would divert the attention of a significant

number of critical employees from the Debtors' reorganization efforts. Additionally, the potential delay in receiving Goods that would be caused by having to reissue purchase orders could significantly disrupt the Debtors' business operations, which depend on the timely delivery of the Goods and Services, and hamper the Debtors' reorganization efforts.

142. The Debtors' relationships with their Vendors are critical and it is therefore important to reassure Vendors that their valid claims will be given administrative expense priority status.

J. Motion of Debtors for Entry of Interim and Final Orders Authorizing the Payment of Critical Prepetition Claims of Critical Vendors.

143. The Debtors believe that immediate payment of the Critical Vendor Claims is not only critical to the Debtors' reorganization efforts, but immediately necessary in light of the industry in which the Debtors operate. The Critical Vendors generally consist of the parties that supply, either directly or as a distributor, vital materials, supplies and services for the Debtors' operations. The Debtors rely on daily deliveries to manufacture their repair and overhaul their products and distribute such products to their customers. Without these deliveries, the Debtors' manufacturing processes would grind to a halt and the Debtors would be unable to provide products to their customers. Given the highly competitive market in which the Debtors operate, this disadvantage would lead to an immediate erosion in customer confidence which would be difficult, if not impossible, to restore. For these and the other reasons stated herein and in the Miller Declaration, the Debtors believe that the relief requested herein is necessary to avoid immediate and irreparable harm. See Fed. R. Bankr. P. 6003(b).

144. The Critical Vendors supply the materials, supplies and services that are absolutely critical to the Debtors' ability to sustain their operations. The Debtors believe that the failure to pay the Critical Vendor Claims would, in the Debtors' business judgment, result in the

Critical Vendors refusing to provide goods to the Debtors post-petition which could have an immediately devastating effect on the Debtors' ability to operate their businesses. Moreover, the delay attendant to the Debtors changing from a Critical Vendor to another vendor of similar products (assuming one could be located) would likely have a similarly devastating effect on the Debtors' operations.

145. The Debtors and their advisors have examined whether the payment of Critical Vendor Claims is necessary, will ameliorate immediate and irreparable harm to the Debtors' business operations and will ensure that the Debtors have access to adequate trade credit post-petition. Specifically, the Debtors have undertaken a thorough review of their accounts payable and their list of prepetition vendors to identify those vendors who are essential to the Debtors' operations. The Debtors have further developed certain procedures (for which they seek this Court's approval) that, when implemented, will ensure that the Debtors derive value for payments to Critical Vendors such that vendors receiving payment of Critical Vendor Claims will continue to supply trade credit necessary to the Debtors' operations on a post-petition basis.

146. After consulting with the appropriate members of their management team to identify those vendors that are most essential to the Debtors' operations, the Debtors (1) determined which of the Critical Vendor Claims the Debtors would seek relief to pay pursuant to this Motion and (2) estimated the total payments that would be necessary to ensure the continued supply of critical goods to the Debtors. In making these determinations and estimations, the Debtors used the following criteria: (a) whether the vendor in question is a "sole-source" or "limited source" provider, (b) whether the Debtors receive advantageous pricing or other terms from a vendor such that replacing the vendor post-petition would result in significantly higher costs to the Debtors, (c) the overall impact on the Debtors' operations if the

particular Critical Vendor ceased or delayed shipments, and (d) the likelihood that a vendor would extend trade terms post-petition despite the Debtors' failure to pay such vendors' prepetition outstanding trade debt. The Critical Vendor Cap represents this estimated payment total.

147. The Debtors propose to condition the payment of Critical Vendor Claims on the agreement of the individual Critical Vendor to continue supplying goods to the Debtors on terms that are consistent with the historical trade terms between the parties (the "Customary Trade Terms"). However, the Debtors reserve the right to negotiate different trade terms with any Critical Vendor, as a condition to payment of any Critical Vendor Claim, to the extent the Debtors determine that such trade terms are necessary to procure essential goods or are otherwise in the best interests of the Debtors' estates.

148. The Debtors propose that upon the request by a Critical Vendor for payment, the Debtors will determine in their sole discretion whether such payment should be made. If so, (i) the Debtors shall provide the Critical Vendor with a copy of the Proposed Orders and (ii) the amount of such Critical Vendor's estimated prepetition claim, after accounting for any setoffs, other credits and discounts thereto, shall be mutually determined in good faith by the Critical Vendor and the Debtors (but such amount shall be used only for purposes of the Proposed Orders and shall not be deemed a claim allowed by the Court, and the rights of all parties in interest to object to such claim shall be fully preserved until further order of the Court). The Critical Vendor will be informed that by accepting payment from the Debtors pursuant to the Proposed Orders, the Critical Vendor will be bound by the following terms:

1. The Critical Vendor agrees to be bound by the Customary Trade Terms (including, but not limited to, credit limits, pricing, cash discounts, timing of payments, allowances, rebates, coupon reconciliation, normal product mix and availability and other applicable terms and programs), which were favorable

to the Debtors and in effect between such Critical Vendor and the Debtors on a historical basis for the period within one hundred twenty days of the Petition Date, or such other trade terms as mutually agreed to by the Debtors and such Critical Vendor;

2. The Critical Vendor agrees to provide goods to the Debtors based upon Customary Trade Terms, and the Debtors' agreement to pay the Critical Vendor in accordance with such terms;

3. The Critical Vendor agrees not to file or otherwise assert against any of the Debtors, their estates or any of their respective assets or property (real or personal) any lien (a "Lien") (regardless of the statute or other legal authority upon which such Lien is asserted) related in any way to any remaining prepetition amounts allegedly owed to the Critical Vendor by the Debtors arising from goods provided to the Debtors prior to the Petition Date, and that, to the extent that the Critical Vendor has previously obtained such a Lien, the Critical Vendor shall immediately take all necessary actions to release such Lien;

4. The Critical Vendor acknowledges that it has reviewed the terms and provisions of the Proposed Orders and consents to be bound thereby;

5. The Critical Vendor agrees that it will not separately assert or otherwise seek payment of any reclamation claims; and

6. The Critical Vendor agrees that if it has received payment of a prepetition claim but subsequently refuses to supply goods to the Debtors on Customary Trade Terms, that any payments received by the Critical Vendor on account of its Critical Vendor Claim will be deemed to have been in payment of then outstanding post-petition obligations owed to such Critical Vendor, and that such Critical Vendor shall immediately repay to the Debtors any payments received on account of its Critical Vendor Claim to the extent that the aggregate amount of such payments exceed the post-petition obligations then outstanding, without the right of setoff or reclamation.

149. Once agreed to and accepted by a Critical Vendor, such terms shall constitute the agreement between the parties that governs their post-petition trade relationship (the "Trade Agreement"). The Debtors hereby seek authority to enter into Trade Agreements with the Critical Vendors if the Debtors determine, in their discretion, that such an agreement is necessary to their post-petition operations. In the event that the Debtors are unable to enter into a Trade Agreement with any Critical Vendor, however, the Debtors nevertheless seek authority to pay

such vendor's Critical Vendor Claim if the Debtors determine, in their sole discretion, that such payment is necessary to prevent irreparable harm to the Debtors' business operations, such as the potential shutdown of one or more of the Debtors' manufacturing facilities.

150. For those Critical Vendors who have agreed to provide goods to the Debtors on terms different from their Customary Trade Terms, the Debtors reserve the right to seek written acknowledgment of such terms on a case-by-case basis.

151. If a Critical Vendor refuses to supply goods to the Debtors on Customary Trade Terms following payment of its Critical Vendor Claim, or fails to comply with any Trade Agreement it entered into with the Debtors, the Debtors hereby seek authority to, in their discretion and without further order of the Court, (i) declare that any Trade Agreement between the Debtors and such Critical Vendor is terminated (if applicable), and (ii) declare that any payments made to such Critical Vendor on account of its Critical Vendor Claim, whether pursuant to a Trade Agreement or otherwise, be deemed to have been in payment of then-outstanding post-petition claims of such Critical Vendor without further order of the Court.

152. In the event the Debtors exercise either of the rights set forth in the preceding paragraph, the Debtors request that the Critical Vendor against which the Debtors exercise such rights be required to immediately return to the Debtors any payments made on account of its Critical Vendor Claim to the extent that such payments exceed the post-petition amounts then owed to such Critical Vendor, without giving effect to any rights of setoff or reclamation. In essence, the Debtors seek to return the parties to their respective positions immediately prior to entry of the Proposed Order in the event a Trade Agreement is terminated or a Critical Vendor refuses to supply goods to the Debtors on Customary Trade Terms following payment of its Critical Vendor Claim.

153. The Debtors believe that such Critical Vendor policies are necessary to procure essential goods or are otherwise in the best interests of the Debtors' estates.

K. Motion of the Debtors for an Order (A) Authorizing the Debtors Obtain from PNC Bank, National Association Post-Petition Financing and Granting Security Interests and Superpriority Administrative Expense Status Pursuant To 11 U.S.C. §§ 105(a), 364(c), 364(d) and 507(b) of the Bankruptcy Code; (B) To Refinance Certain Prepetition Secured Indebtedness; (C) Modifying the Automatic Stay Pursuant to 11 U.S.C. § 362; (D) Granting Other Relief; and (E) Scheduling A Final Heaing Pursuant to Bankruptcy Rule 4001.

154. The Debtors request authority and approval for the Borrowers to obtain post-petition loans, advances and other financial accommodations (the "Post-Petition Financing") on an interim basis for a period through and including the date of the Final Hearing from PNC Bank, National Association, in its capacity as agent (in such capacity, the "Agent") for itself and the other financial institutions from time to time party to the DIP Loan Agreements as lenders (collectively, the "Lenders"), under or in connection with a debtor-in-possession revolving credit facility (the "DIP Facility") in an aggregate amount up to $23 million and otherwise in accordance with the Interim Order, secured by first priority perfected security interests in and liens, senior and above all other liens, upon all of the DIP Collateral pursuant to sections 364(c)(2) and 364(c)(3) and 364(d) of the Bankruptcy Code.

155. The Debtors also request authority for the Borrowers and Fairchild (collectively, the "Banner/Holdings Debtors") to enter into, (i) the Collateral Pledge Agreement in favor of Agent and Lenders pursuant to which Fairchild and the Borrowers pledge and grant a Lien on all of their investment property (the "Pledge Agreement"), (ii) the Guaranty Agreement ("Guaranty") in favor of Agent and Lenders pursuant to which Fairchild guarantees all Obligations arising under the DIP Credit Agreements, (iii) the DIP Financing Agreement with the Agent and the Lenders, substantially in the form attached to the Interim Order as **Exhibit 2**

(the "DIP Domestic Credit Agreement"), and (iv) the Export-Import DIP Financing Agreement with Agent and the Lenders, substantially in the form attached to the Interim Order as **Exhibit 3** (the "DIP Ex-Im Credit Agreement", together with the DIP Domestic Financing Agreement (the "DIP Credit Agreements"), each of which shall reflect in all material respects the terms and conditions set forth in the Interim Order together with all other agreements, documents and instruments to be executed or delivered in connection therewith, collectively, the "DIP Financing Documents"), and to borrow upon entry of the Interim Order, up to an aggregate principal amount not to exceed $23 million to be used in part for working capital and to refinance the outstanding principal balance of the revolving loans and obligations under the Revolving Credit and Security Agreement dated as of June 20, 2008 (as amended, supplemented, extended or otherwise modified from time to time, the "Domestic Pre-Petition Revolving Credit Agreement"), by and among Banner Aerospace Holding Company I, Inc., DAC International, Inc., Maptech Aerodata, LLC, Matrix Aviation, Inc., NASAM Incorporated, Professional Aircraft Accessories, Inc., Professional Aviation Associates, Inc., and GCCUS, Inc., (jointly and severally the "Pre-Petition Borrowers") and under the Export-Import Revolving Credit and Security Agreement by and among Pre-Petition Borrowers and PNC Bank National Association as Agent and Lenders (as amended, supplemented, extended or otherwise modified from time to time the "Ex-Im Pre-Petition Revolving Credit Agreement", together with the Domestic Pre-Petition Revolving Credit Agreement, collectively, the "Pre-Petition Credit Agreements") and which shall indefeasibly satisfy in full the outstanding obligations under the Pre-Petition Financing Documents.

156. Prior to the commencement of the Chapter 11 Cases, the Agent and the Lender made loans, advances and provided other financial accommodations pursuant to the Pre-Petition Financing Documents to the Borrowers.

157. As of the Petition Date, the aggregate amount of all Obligations (as defined in the Domestic Pre-Petition Revolving Credit Agreement and the Ex-Im Pre-Petition Revolving Credit Agreement) owing by the Borrowers to the Agents and the Lenders under and in connection with the Pre-Petition Financing Documents was not less than $19,364,591.06, consisting of (A) Revolving Advances in the aggregate principal amount of not less than $8,022,439.10 outstanding under (and as defined in) the Domestic Pre-Petition Revolving Credit Agreement, plus interest accrued and accruing thereon, (B) Revolving Advances in the aggregate principal amount of not less than $11,342,151.96 outstanding under (and as defined in) the Ex-Im Pre-Petition Revolving Credit Agreement, plus interest accrued and accruing thereon, together with all costs, fees, expenses (including attorneys' fees and legal expenses) and other charges accrued, accruing or chargeable with respect thereto under the Pre-Petition Credit Agreements, collectively, the "Pre-Petition Obligations".

158. The Pre-Petition Obligations constitute allowed, legal, valid, binding, enforceable and non-avoidable obligations of the Debtors, and are not subject to any offset, defense, counterclaim, avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or any other applicable law, and the Debtors do not possess and shall not assert any claim, counterclaim, setoff or defense of any kind, nature or description which would in any way affect the validity, enforceability and nonavoidability of any of the Pre-Petition Obligations.

159. **Pre-Petition Collateral**. As of the Petition Date, the Pre-Petition Obligations were secured pursuant to the Pre-Petition Financing Documents by valid, perfected, enforceable

and non-avoidable first priority security interests and liens granted by the Debtors to the Agent, for the benefit of itself and the Lenders, upon the Collateral (as defined in the Pre-Petition Credit Agreements, hereafter the "Pre-Petition Collateral"), subject to the lien in favor of Wells Fargo Financial Leasing on specific equipment of Professional Aircraft Accessories, Inc. ("PAA") evidenced by the UCC filing against PAA filed on December 16, 2008 with the Secretary of State for the State of Florida (the "Wells Fargo Lien") to the extent such lien is a valid, perfected and unavoidable lien or security interest existing as of the Petition Date and otherwise senior to the lien of Lenders in such equipment as of the Petition Date (a "Permitted Lien"). The Debtors do not possess and will not assert any claim, counterclaim, setoff or defense of any kind, nature or description which would in any way affect the validity, enforceability and non-avoidability of any of the Agent's and the Lenders' liens, claims or security interests in the Pre-Petition Collateral.

160. **Post-Petition Financing**. The Debtors have requested from the Agent and the Lenders, and the Agent and the Lenders are willing to extend, certain loans, advances and other financial accommodations, as more particularly described, and on the terms and conditions set forth in the Interim Order and the DIP Financing Documents. Notwithstanding the Agent's and the Lenders' willingness to extend such financial accommodations, the Pre-Petition Obligations shall be deemed to have been automatically accelerated on the Petition Date as a result of the commencement of the Chapter 11 Cases in accordance with the terms of the Pre-Petition Financing Documents.

161. The Debtors have requested from Phoenix Banner Holdings, LLC ("Phoenix"), and Phoenix has agreed to extend, loans and other financial accommodations to Debtors pursuant to a subordinated debtor in possession financing agreement (the "Subordinated DIP Credit

Agreement", together with all instruments, agreements and documents entered in connection therewith, the "Subordinated DIP Financing Documents").

162. The Debtors have obtained a stalking horse bid for the assets of the Borrowers which exceeds the Pre-Petition Obligations and/or the amount contemplated to be borrowed under the DIP Financing Documents, together with the amounts to be borrowed from junior subordinated lender under the Subordinated DIP Credit Agreement.

163. The terms of the DIP Financing Agreements, the DIP Financing Documents and the DIP Facility are fair and reasonable and reflect Debtors' exercise of prudent business judgment consistent with their fiduciary duties and constitute reasonably equivalent value and fair consideration.

164. **Pre-Petition Obligation Oversecured**. Because the Pre-Petition Obligations are oversecured by first priority liens on the Pre-Petition Collateral as of the Petition Date, as evidenced by, inter alia, the stalking horse bid, the Agent and the Lenders have requested, and the Borrowers have agreed, that the Pre-Petition Obligations will be rolled up as part of the Interim Financing.

165. **PBGC Lien**. The Pension Benefit Corporation ("PBGC") has filed a Notice of Federal Lien in the amount of $1,956,870 against Matrix Aviation, Inc. ("Matrix"), one of the Borrowers, which lien is dated February 16, 2009. The PBCG's lien will be adequately protected against Matrix given that the PBGC will be in the same position post petition as it was as of the Petition Date and given that the PBGC will be granted replacement liens on the assets of Matrix, to the same extent that the PBGC held a valid perfected unavoidable lien on the assets of Matrix as of the Petition Date.

166. **Need for Post-Petition Financing**. The Debtors do not have sufficient available sources of working capital to operate the Borrowers' businesses in the ordinary course without the Post-Petition Financing. The initial advance under the DIP Facility will be used to pay off the Pre-Petition Obligations and for working capital. The Debtors' ability to maintain business relationships with their vendors, suppliers and customers, to pay their employees, and to otherwise fund their operations is essential to the Debtors' continued viability. The ability of the Debtors to obtain sufficient working capital and liquidity through the proposed Post-Petition Financing on the terms set forth in the DIP Financing Documents and the Interim Order is vital to the preservation and maximization of the going concern value of the Debtors' currently operating businesses pending a sale of the assets of the Borrowers. Accordingly, the Debtors have an immediate need to obtain the Post-Petition Financing in order to, among other things, permit the orderly continuation of the operation of their operating businesses, preserve jobs for their employees, maintain vendor support and minimize the disruption of their business operations, manage and preserve the assets of the Debtors' bankruptcy estates (as defined under section 541 of the Bankruptcy Code, the "Estates") in order to maximize the recoveries to creditors of the Estates.

167. **No Credit Available on More Favorable Terms**. The Debtors are unable to procure financing in the form of unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code, as an administrative expense under section 364(a) or (b) of the Bankruptcy Code, or in exchange for the grant of an administrative expense priority pursuant to section 364(c)(1) of the Bankruptcy Code, without the grant of liens on all or substantially all of the Banner/Holdings Debtors' assets pursuant to section 364(c) and section 364(d) of the Bankruptcy Code. The Debtors have been unable to procure the necessary financing on terms more

favorable than the financing offered by the Agent and the Lenders pursuant to the DIP Financing Documents and the Interim Order.

168. **Budget**. The Debtors have prepared and delivered to the Agent and the Lenders the Budget (as defined in the DIP Credit Agreements). The Budget has been thoroughly reviewed by the Debtors and their management and sets forth, among other things, the projected cash receipts and disbursements for the periods covered thereby. The Debtors believe in good faith that the Budget is achievable and will allow the Debtors to operate in Chapter 11 without the accrual of unpaid administrative expenses during the term of the Budget. The Agent and the Lenders are relying upon the Debtors' compliance with the Budget in determining to enter into the Post-Petition Financing provided for herein.

169. **Business Judgment and Good Faith Pursuant to Section 364(e)**. The terms of the DIP Financing Documents and the Interim Order are fair, just, reasonable and appropriate under the circumstances, reflect the Debtors' exercise of their prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. The terms and conditions of the DIP Financing Documents and the Interim Order have been negotiated in good faith and at arms' length by and among the Debtors, on one hand, and the Agent and the Lenders, on the other hand, with all parties being represented by counsel. Any credit extended under the terms of the Interim Order shall be deemed to have been extended in good faith by the Agent and the Lenders as that term is used in section 364(e) of the Bankruptcy Code.

170. **Good Cause**. The relief requested in the Motion is necessary, essential and appropriate, and is in the best interest of and will benefit the Debtors and their Estates, as its implementation will, among other things, provide the Debtors with the necessary liquidity to

(a) minimize disruption to the Debtors' on-going businesses and on-going operations, (b) preserve and maximize the value of the Debtors' Estates, and (c) avoid immediate and irreparable harm to the Debtors, their businesses, their employees and their assets.

L. Motion of Debtors (I) For An Interim Order (A) Authorizing the DIP Borrowers To Obtain Post-Petition Financing From Phoenix Banner LLC Pursuant to Sections 105, 362, 363 and 364(c) of the Bankruptcy Code, (B) Granting Liens and Superpriority Claims, and (C) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001 and Approving the Form and Manner of Notice Thereof; (II) For A Final Order (A) Authorizing the DIP Borrowers To Obtain Post-Petition Financing Pursuant to Section 364(c) of the Bankruptcy Code and (B) Granting Liens and Superpriority Claim; and (III) For Related Relief.

171. The Debtors request authority and approval for the DIP Borrowers to obtain post-petition financing pursuant to section 364(c) of the Bankruptcy Code from Phoenix Banner LLC (the "Lender") in an aggregate amount not to exceed $4,000,000 (the "Phoenix DIP Facility"), and to authorize each of the other Debtors other than the DIP Borrowers (collectively the "Guarantors") to guaranty the DIP Borrowers' obligations under the DIP Facility, pursuant to the terms of the Interim Order, (i) that certain Debtor-in-Possession Subordinated Credit and Security Agreement by and among the DIP Borrowers and the Lender (the "Phoenix DIP Agreement"), (ii) that certain Guaranty and Security Agreement by and among the Lender and each Guarantor in the form (the "Phoenix DIP Guaranty Agreement"), and (iii) any related documents required to be delivered in connection with the Phoenix DIP Facility Agreement (collectively with the Phoenix DIP Facility Agreement and the Phoenix DIP Guaranty Agreement, the "Phoenix DIP Credit Documents").

172. The Debtors also request authority to execute and enter into the Phoenix DIP Credit Documents and to perform such other and further acts as may be required in connection with the Phoenix DIP Credit Documents and to grant valid, perfected and enforceable security

interests, liens and superpriority claims to the Lender to secure all obligations (i) of the Debtors under and with respect to the Phoenix DIP Facility, subject only to the security interests and liens granted under the PNC DIP Facility, subject only to Permitted Liens (as defined in the Phoenix DIP Agreement) and (ii) of the Guarantors under and with respect to the DIP Guaranty and Security Agreement.

173. Simultaneously with the submission of this Motion, the Debtors also filed a motion (the "PNC DIP Motion") seeking authority for Banner and its subsidiaries (the "Banner Debtors") to enter into the Senior DIP Financing Facility with PNC Bank, National Association ("PNC Senior DIP Facility"). The Senior DIP Facility replaces similar financing provided to the Banner Debtors by PNC Bank, National Association ("PNC Bank") prior to the Petition Date. The proceeds of Senior DIP Facility are to be used solely for the purpose of providing working capital available to the Banner Debtors and are not available to other Debtors, except to the extent set forth in the PNC Senior DIP Facility Documents.

174. The Debtors other than the Banner Debtors have an immediate and critical need to obtain incremental postpetition financing proposed under the Phoenix DIP Facility to provide working capital to fund administrative, professional and corporate overhead expenses and to maximize values to creditors during these Chapter 11 Cases pending (a) the sale of the assets of the DIP Borrowers pursuant to the Asset Purchase Agreement and (b) the orderly disposition of the assets of the other Debtors. The access of the Debtors to sufficient working capital and liquidity through the incurrence of new indebtedness is vital to the preservation and maintenance of the going concern values of the Debtors and the Chapter 11 Cases. Without such credit, the Debtors would not be able to operate their businesses and the Debtors' estates would be irreparably harmed.

175. he Debtors other than the Banner Debtors have been unable to procure financing. Under the terms of the Phoenix DIP Facility, a portion of the funds being provided by the Lender will be available for the Banner Debtors to advance to the non-Banner Debtors in accordance with a budget attached to the Interim Order. However, the Banner Debtors are primarily and principally obligated to repay all amounts due and owing to the Lender under the Phoenix DIP Facility. The Debtors are otherwise unable to procure financing in the form of unsecured credit or to incur unsecured debt allowable as an administrative expense under sections 364(a) and (b) and 503(b)(1) of the Bankruptcy Code. New credit is unavailable to the Debtors without providing the Lender (a) Superpriority Claims under section 364(c)(1) of the Bankruptcy Code and (b) liens and security interests pursuant to section 364(c)(2)-(3) of the Bankruptcy Code.

176. The Lender has indicated a willingness to provide the Debtors with certain financing commitments subject to (i) entry of the Interim Order, (ii) the terms and conditions set forth in the Interim Order in the Phoenix DIP Credit Documents, (iii) the terms and conditions of all "First Day Orders" being, in form and substance, reasonably satisfactory to the Lender and (iv) findings by the Court that such post-petition financing is essential to the Debtors' estates, that the terms of such financings were negotiated in good faith and at arm's length, and that the Lender's liens, security interests and Superpriority Claims, and other protections granted pursuant to the Interim Order and the Phoenix DIP Credit Documents will not be affected by any subsequent reversal, modification, vacatur, or amendment of the Interim Order or any other order, as provided in section 364(e) of the Bankruptcy Code. The Lender has acted in good faith in negotiating, consenting to and in agreeing to provide the post-petition financing contemplated by the Order and the Phoenix DIP Credit Documents and the reliance of the Lender on the assurance referred to above is in good faith.

177. The Banner Debtors are prepared to grant, in good faith, pursuant to section 364(c)(3) of the Bankruptcy Code, in favor of the Lender, valid, perfected and enforceable post-petition security interests and liens on the substantially all of the assets of the DIP Borrowers as such property designated in the Phoenix DIP Credit Documents (the "Borrower Collateral"), acquired either pre-petition or post-petition, and a superpriority administrative expense claim pursuant to section 364(c)(1) of the Bankruptcy Code to the extent of any amounts owing to the Lender under the DIP Facility, in all cases subject only to the prior security interests and liens granted to PNC Bank under the PNC DIP Facility and the Permitted Liens (as defined in the Phoenix DIP Agreement). The non-Banner Debtors are prepared to grant, in good faith, pursuant to section 364(c)(3) of the Bankruptcy Code in favor of the Lender, valid, perfected and enforceable post-petition security interests and liens on the substantially all of the assets of the Guarantors as such property designated in the Phoenix DIP Credit Documents (the "Guarantor Collateral," and together with the Borrower Collateral, collectively, the "DIP Collateral"), acquired either pre-petition or post-petition, and a superpriority administrative expense claim pursuant to section 364(c)(1) of the Bankruptcy Code to the extent of any amounts owing to the Lender under the Phoenix DIP Facility.

178. The Debtors have requested immediate entry of the Interim Order pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2) and Local Rule 4001-2(b). Good cause has been shown for immediate entry of the Interim Order pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2) and Local Rule 4001-2(b). In particular, the authorization herein for the Debtors to execute the Phoenix DIP Facility and to obtain interim financing on a secured basis, is necessary to provide the Debtors with the necessary liquidity to (a) minimize the disruption to the Debtors' ongoing businesses and operations, (b) preserve and maximize the value of the Debtors' estates, and

(c) avoid immediate and irreparable harm to the Debtors and their estates, their businesses, their employees, assets and creditors.

179. The ability of the Debtors to finance their respective operations and the availability to the Debtors of sufficient working capital and other financial and general corporate liquidity through the incurrence of new indebtedness for borrowed money is in the best interests of the Debtors and their respective estates. The interim financing requested pursuant to the Motion is vital to avoid immediate and irreparable harm to the Debtors' businesses, properties and estates and to allow the orderly continuation of the Debtors' businesses during these Chapter 11 Cases.

180. The Debtors believe that the terms of the Interim Order are fair, just, and reasonable under the circumstances, are ordinary and appropriate for secured financing to debtors in possession, are the result of the Debtors' exercise of prudent business judgment consistent with applicable fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

181. The terms of the Interim Order have been negotiated in good faith and at arms' length by and among the Debtors and the Lender, with all parties represented by counsel, and any credit extended and loans made to the Debtors pursuant to the Interim Order shall be deemed to have been extended, issued, made, used or provided, as the case may be, in good faith as required by, and within the meaning of, section 364(e) of the Bankruptcy Code.

M. Motion of Debtors and Debtors-In-Possession With Respect To Sale of Banner Aerospace and Related Assets For (I) An Order (A) Establishing Bidding Procedures Including, Without Limitation, Break-Up Fee Provisions and Other Bid Protections, (B) Approving Form of Asset Purchase Agreement, (C) Approving Form and Manner of Notice of Sale and Treatment of Executory Contracts and Unexpired Leases and (D) Scheduling Sale Hearing Date to Consider Final Approval of Sale and Assumption and Assignment of Executory Contracts and Unexpired Leases, (II) An Order Approving

(A) The Sale, Free and Clear of Liens Claims and Encumbrances and (B) Treatment of Executory Contracts and Unexpired Leases, and (III) Related Relief.

182. Concurrently with the filing of the First-Day Motions, the Debtors filed a Sale Motion in connection with the sale of assets of Banner, its subsidiaries and Fairchild Realty LLC ("Fairchild Realty") which are used by Banner in its day-to-day operations (collectively, the "Acquired Assets"). The Acquired Assets include assets that are used in or otherwise related to the distribution by Banner and/or the Banner Subsidiaries of aircraft parts to commercial airlines and air cargo carriers, fixed-base operators, corporate aircraft operators and other aerospace companies worldwide, component repair, overhaul services and design services to aircraft.

183. The Sale Motion seeks to establish bidding procedures in connection with the sale of the Acquired Assets including, without limitation, the approval of the terms and conditions for payment of a break-up fee and expense reimbursement to Phoenix Banner LLC (the "Stalking Horse Bidder"), and the scheduling of an auction in the event that qualified bids are received from competing bidders. The Stalking Horse Bidder, an affiliate of Phoenix, is a Delaware limited liability company, newly formed for the purpose of purchasing the Acquired Assets.

184. The Acquired Assets will be sold, upon the Court's approval, to the Stalking Horse Bidder pursuant to an Asset Purchase Agreement, subject to higher and better offers. The terms of the Asset Purchase Agreement were agreed upon after extensive arm's-length, good-faith negotiations among (i) the parties, (ii) the Debtors' management, under the supervision of the independent directors to whom they report and (iii) their respective advisors.

185. Pursuant to the Sale Motion the Debtors also seek an order approving the form and manner of, notices of, and treatment of executory contracts and unexpired leases in connection with the Sale and scheduling the Sale Hearing to consider the approval of the Sale

and the assumption and assignment of the Designated Contracts to the Stalking Horse Bidder (or other Successful Bidder).

186. The Debtors will submit further evidence in support of the Sale prior to the date of the Sale Hearing.

Second Day Motions

A. Motion of Debtors for Entry of an Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Official Committee Members.

187. The Debtors seek to establish an orderly, regular process for the allowance and payment of compensation and reimbursement for attorneys and other professionals whose retentions are approved by this Court to streamline the administration of these Chapter 11 Cases.

188. The proposed compensation procedures require that on or before the 30th day of each month following the month for which compensation is sought, each Professional seeking compensation serve a monthly statement (the "Monthly Fee Application") with the Court and serve the Monthly Fee Application (1) the Debtors; (2) proposed bankruptcy counsel to the Debtors, Curtis, Mallet-Prevost, Colt & Mosle LLP and Richards, Layton & Finger, P.A.; (3) counsel to any Official Committee of Unsecured Creditors appointed in theses Chapter 11 Cases (and, only in the event that no Committee is appointed, the entities listed on the Debtors' largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions); (4) the Office of the United States Trustee for the District of Delaware; (5) counsel to PNC Bank, N.A.; (6) counsel to Phoenix, Pillsbury Winthrop Shaw Pittman LLP; and (7) counsel to any other statutory committee appointed in these Chapter 11 Cases (collectively, the "Notice Parties").

189. The Notice Parties will have until the 20th day following service of the Monthly Fee Application to object to the requested fees and expenses. After the 20th day has passed, the Debtors are authorized and directed to pay the professional 80% of the fees and 100% of the expenses requested and that are not subject to objection. Professionals whose fees are subject to objection may request payment of their fees from the Court.

190. The Debtors believe that the efficient administration of the Chapter 11 Cases will be significantly aided by establishing the Compensation Procedures described in the Motion. Accordingly, the relief requested in the Motion is in the best interests of the Debtors' estates, creditors and all parties in interest.

B. Motion of Debtors For Entry of an Order Authorizing the Debtor To Employ and Compensate Certain Professionals in the Ordinary Course of Business.

191. The Debtors retain the services of various attorneys, accountants and other professionals in the ordinary course of their business operations (each an "Ordinary Course Professional" or "OCP" and, collectively, the "OCPs"). The OCPs provide services to the Debtors in a variety of discrete matters unrelated to these Chapter 11 Cases, including, but not limited to, general corporate, accounting, auditing, tax and litigation matters. The Debtors request that they be permitted to employ and retain the OCPs, effective as of the Petition Date, on terms substantially similar to those in effect prior to the Petition Date, but subject to the terms set forth in the Motion. Specifically, the Debtors would be authorized to pay, without formal application to the Court by any OCP, 100% of fees and disbursements to each of the OCPs retained by the Debtors after submission to the Debtors of an Affidavit of Disinterestedness, and upon the submission to the Debtors of an appropriate invoice setting forth in reasonable detail the nature of the services rendered after the Petition Date, provided that such fees, excluding

costs and disbursements, do not exceed $25,000 per month on average over a rolling three-month period while these Chapter 11 Cases are pending.

192. Although some of the OCPs may hold minor amounts of unsecured claims against the Debtors in respect of prepetition services rendered, the Debtors do not believe that any of the OCPs have an interest materially adverse to the Debtors, their creditors or other parties in interest. The Debtors are not requesting authority to pay prepetition amounts owed to OCPs.

193. The OCPs have a great deal of background knowledge, expertise and familiarity with the Debtors and their operations. The Debtors believe that the continued employment and compensation of the OCPs is in the best interests of their estates, creditors and parties in interest. Although the Debtors anticipate that the OCPs will want to continue to represent the Debtors on an ongoing basis, some may not do so if the Debtors cannot pay them on a regular basis.

C. Application by the Debtors For Entry of An Order Authorizing the Employment and Retention of Curtis, Mallet-Prevost, Colt & Mosle LLP as Counsel to the Debtors Nunc Pro Tunc to the Petition Date.

194. The Debtors seek to retain Curtis, Mallet-Prevost, Colt & Mosle LLP as their attorneys because Curtis has extensive expertise, experience and knowledge in the field of debtors' and creditors' rights and business reorganization under the Bankruptcy Code, as well as other areas of the law where the Debtors may need legal advice. Curtis also possesses extensive experience in practicing before this Court and other bankruptcy courts.

195. Curtis has been actively involved in major chapter 11 bankruptcy cases throughout the United States, including some of the largest cases, and also cases more modest in size. In addition, Curtis represents or has represented debtors as co-counsel, conflicts counsel or special counsel in a number of cases. For the foregoing reasons, the Debtors believe that Curtis

is both well qualified and able to represent them in the Chapter 11 Cases in an efficient and timely manner.

196. The Debtors believe that Curtis' employment is necessary and in the best interests of the Debtors and their estates.

D. Application by the Debtors For Entry of an Order Authorizing the Retention and Employment of Richards, Layton & Finger, P.A. as Co-Counsel to the Debtors Nunc Pro Tunc to the Petition Date.

197. The Debtors seek authorization to employ and retain RL&F to represent them as their co-counsel in connection with the filing and prosecution of the Chapter 11 Cases and all matters related thereto. RL&F's retention will reduce the overall expense of administering the Chapter 11 Cases. Moreover, pursuant to Local Rule 9010-1(c), the Debtors are required to retain Delaware counsel. Curtis and RL&F have discussed a division of responsibilities regarding the Debtors' representation in the Chapter 11 Cases and will make every effort to avoid and/or minimize duplication of services.

198. In light thereof, the Debtors believe that the retention of RL&F is in the best interests of the Debtors, their creditors and the other parties in interest.

E. Application by the Debtors For Entry of an Order Authorizing the Retention and Employment of CRG Partners Group LLC as Financial Advisors Nunc Pro Tunc to the Petition Date.

199. The Debtors seek authority to employ and retain CRG to perform financial advisory services for the Debtors in these Chapter 11 Cases.

200. The Debtors have complex operations located throughout the United States. Accordingly, the Debtors require the services of experienced financial advisors to assist them in rehabilitating the business and developing, negotiating and confirming plans of reorganization.

The Debtors are familiar with the professional standing and reputation of CRG generally and as a result of financial advisory services rendered to the Debtors prior to the Petition Date.

201. CRG's professionals have a wealth of experience in providing financial advisory services in restructurings and reorganizations and enjoy an excellent reputation as a result of their work in large and complex chapter 11 cases on behalf of debtors throughout the United States. CRG is also familiar with the Debtors' businesses, financial affairs, and capital structure. Since the firm's initial retention, CRG professionals have worked closely with the Debtors' management and other professionals in assisting with the myriad requirements of these Chapter 11 Cases. Consequently, the Debtors believe that CRG has developed significant relevant experience and expertise regarding the Debtors and is thus both well qualified and uniquely suited to deal effectively and efficiently with matters that may arise in the context of these cases.

202. The Debtors believe that the employment of CRG is in the best interests of the Debtors and their creditors.

F. Application by the Debtors for Entry of an Order Authorizing the Employment and Retention of Cahill Gordon & Reindel LLP as Special Counsel to the Debtors *Nunc Pro Tunc* to the Petition Date.

203. The Debtors seek to retain Cahill as their special counsel because Cahill has extensive expertise, experience, and knowledge in the fields of corporate and securities law. In addition, because of its long-standing pre-petition service as counsel to the Debtors, Cahill has a high degree of familiarity with the Debtors' corporate and capital structure, contractual relationships, and business operations, among other things.

204. Consistent with the Debtors' prior retention of Cahill, the Firm will continue to represent and may provide legal advice to the Debtors in connection with, but not limited to (a) general corporate, securities, labor, employment, and environmental matters; (b) other non-bankruptcy related legal matters arising in, or relating to the Debtors' businesses; (c) securities

law disclosure and reporting matters, as requested; (d) asset acquisition and disposition matters; (e) contract, financing, and business matters; and (f) any necessary consultation with the Debtors' bankruptcy counsel.

205. Because Cahill has in-depth knowledge of the Debtors' operations and finances, the Debtors believe that the Firm's retention in these Chapter 11 Cases is in the best interests of the Debtors and their creditors.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 18, 2009
Wilmington, Delaware

By: Donald E. Miller
Name: Donald E. Miller
Title: Chief Restructuring Officer