

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

In re:)	
)	
ADAM AIRCRAFT INDUSTRIES, INC.)	Case No. 08-11751 MER
EIN: 161643299,)	Chapter 7
)	
Debtor.)	

MOTION FOR ORDERS: (A) AUTHORIZING AND SCHEDULING AN AUCTION TO SOLICIT BIDS FOR THE SALE OF SUBSTANTIALLY ALL ASSETS OF DEBTOR'S BANKRUPTCY ESTATE, FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES; (B) APPROVING BID AND AUCTION PROCEDURES; (C) SCHEDULING A HEARING TO CONSIDER APPROVAL OF THE SALE; AND (D) ESTABLISHING THE FORM AND MANNER OF NOTICE

Jeffrey A. Weinman, as Chapter 7 Trustee for the Adam Aircraft Industries, Inc., bankruptcy estate (the "Trustee"), pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 2002 and 6004, for his Motion For Orders: (A) Authorizing and Scheduling an Auction to Solicit Bids for the Sale of Substantially all Assets of Debtor's Bankruptcy Estate, Free and Clear of Liens, Claims, Interests and Encumbrances; (B) Approving Bid and Auction Procedures; (C) Scheduling a Hearing to Consider Approval of the Sale; and (D) Establishing the Form and Manner of Notice (this "Motion"), states as follows:

BACKGROUND

1. On February 15, 2008 (the "Petition Date"), Adam Aircraft Industries, Inc. (the "Debtor"), filed its voluntary petition for relief under Chapter 7 of Title 11, U.S.C. (the "Bankruptcy Code"). The Trustee is the duly appointed Chapter 7 Trustee in the Debtor's bankruptcy case.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

3. Prior to the Petition Date, the Debtor was engaged in the business of designing and manufacturing advanced aircraft for civil and government markets. The Debtor ceased virtually all operations prior to the Petition Date.

SALE OF ASSETS

4. In the Trustee's business judgment, a prompt and orderly sale of substantially all of the assets of the Debtor's estate to one or more bidders, pursuant to an auction and bidding process, will maximize the value of the estate for the benefit of the Debtor's creditors.

5. Accordingly, along with this Motion, the Trustee has filed or intends to file motions to continue to operate the Debtor's business pursuant to Section 721 of the Bankruptcy Code, and to employ a sales and marketing agent to facilitate the auction sale process for a bulk sale and a liquidator to sell the assets separately if no bulk sale can be completed quickly.

6. The Trustee believes that it is imperative to consummate the sales transaction on or before April 15, 2008. Such a schedule will enable the Trustee to preserve and maximize the value of the estate's assets while prudently managing and minimizing necessary administrative expenses under the unique circumstances of this case. Because the Debtor's operations were virtually terminated prior to the Petition Date, the Debtor has no current revenues. Every day that passes generates additional expense. Moreover, because most of the Debtor's employees were terminated prior to the Petition Date, every day that passes could increase the difficulty of re-hiring those employees and resuming operations. Therefore, the longer the delay the greater the risk that no bidder will buy the Debtor's assets in bulk.

AUCTION AND BID PROCEDURES

7. **Exhibit A** to this Motion sets forth a complete set of bidding procedures (the "Bidding Procedures") to facilitate the proposed sale. These procedures assure that any prospective bidder: (a) satisfies the Trustee that it has financial capability to complete the

transaction (without a financing contingency); (b) bids on a contract form acceptable to the Trustee; and (c) has completed due diligence.

8. The Trustee intends to complete the sale in three stages:

(a) In the first stage, reflected in this Motion, the Trustee seeks authorization to market and sell the assets under the proposed Bidding Procedures, to assure that the estate obtains maximum value for its assets.

(b) The second stage consists of the auction process, pursuant to the Bidding Procedures, during which the final purchaser will be identified and will enter into an asset purchase agreement with the Trustee.

(c) The third stage will involve a final hearing to approve the actual sale pursuant to the asset purchase agreement and applicable Bankruptcy Code provisions or, if bulk sale cannot be consummated, through multiple liquidation sales of individual assets or groups of assets.

9. The Bidding Procedures attached as **Exhibit A** contemplate retention of a marketing agent, solicitation of prospective bidders, qualification of bidders, definition of qualifying bids, a subsequent auction procedure, selection of the winning bid, and Court approval promptly thereafter of the sale to the winning bidder. The Trustee will also seek to engage a liquidator to sell the assets quickly if no bulk sale can be consummated.

10. Key events and dates under the Bidding Procedures are as follows:

<u>Event</u>	<u>Date/\$</u>
Opening of Data Room	March 5, 2008
Availability of Sale Book	March 5, 2008
Bid Deadline for a bulk sale	April 3, 2008
Auction Date for a bulk sale	April 4, 2008

Initial Deposit Amount	\$250,000.00
Minimum Purchase Price	\$10,000,000.00
Overbid Requirement	\$100,000.00
Requested Sale Objection Date	April 7, 2008
Requested Sale Hearing Date	April 9, 2008
Anticipated Closing Date	April 15, 2008
Drop-Dead Date	April 22, 2008

If no qualified bid for a bulk sale is received by the Bid Deadline, the Trustee contemplates that the liquidator to be engaged will immediately commence an auction sale of the assets separately or in lots.

11. In conjunction with his sales and marketing agent, the Trustee intends to conduct an aggressive campaign to market the estate's assets from the opening of the electronic data room through the conclusion of the auction process.

12. The Trustee has determined, in his business judgment, that the value of the estate's assets will be maximized by establishing and following the Bidding Procedures described in **Exhibit A**.

13. Clear and specific Bidding Procedures are necessary to set forth the ground rules of the sales process and avoid chaos which could impede an actual sale. These procedures will avoid the waste of time, effort and funds that might result in having unqualified bidders participate in the process. Moreover, the Bidding Procedures are necessary to bind any prospective purchaser that might otherwise be content to "wait in the wings" to see if other offers should materialize.

SALE HEARING

14. In addition to approval of the Bidding Procedures, the Trustee is requesting the Court to schedule a hearing (the "Sale Hearing") to consider approval of the sale pursuant to the Final Accepted Offer (if any) as set forth in the Bidding Procedures.

15. The Bidding Procedures contemplate consummation of the sale on or before April 15, 2008. Accordingly, the Trustee requests that the Court schedule a one-half day hearing to approve the sale on or about April 9, 2008, or such other date in proximity thereto as permitted by the Court's calendar.

16. The Trustee and the successful bidder will submit a proposed form of order approving a final asset purchase agreement and the sale of substantially all of the Debtor's assets, free and clear of and from liens, claims, interests, encumbrances, as promptly as possible after the conclusion of the Auction and in advance of the Sale Hearing.

NOTICE PROCEDURES; OBJECTIONS

17. If this Motion is approved, the Trustee shall serve the approval order, the Bidding Procedures, and notice of the final hearing date (the "Sale Notice") on the following: (i) all persons or entities that were contacted by the Debtor or its advisors prior to the Petition Date in connection with marketing the assets; (ii) all other prospective offerors and parties-in-interest, upon written request to the Trustee; (iii) all persons or entities who receive electronic notice in the Debtor's bankruptcy case; and (iv) all persons or entities pursuant to Bankruptcy Rule 6004(a), 6004(c) and 9014. Service pursuant to these Bankruptcy Rules on persons not receiving electronic notice shall be by first-class mail addressed to the business address of such persons appearing in the Trustee's records, notwithstanding Bankruptcy Rule 9014. Pursuant to Bankruptcy Rule 2002, service of the Sale Notice shall constitute good and sufficient notice of the Bidding Procedures, the Auction, and the Sale Hearing (including any related proceedings)

on all known and unknown creditors and parties in interest, including all persons entitled to notice pursuant to Bankruptcy Rule 6004(a), 6004(c), and 9014.

18. Objections, if any, to the Sale Motion shall be in writing, shall conform to the Bankruptcy Rules and local rules and orders of the Bankruptcy Court, shall set forth (i) the nature of the objector's claims against or interest in the Debtor's estate, (ii) the basis for the objection, and (iii) the specific grounds therefor, and shall be filed and served before any applicable deadline in the Sale Notice on (a) each person who receives electronic notice in this bankruptcy case, (b) counsel for the Trustee, and (c) counsel for the Agent for the senior lenders (the "Agent"). Any person objecting to the Sale Motion that has not complied with the foregoing requirements for objections shall not be heard at the Sale Hearing. If any Qualified Bidder (as defined in the Bidding Procedures) objects to the Trustee's determination of a Competing Bid as a higher or better bid for the Assets, then the sole and exclusive remedy of such Qualified Bidder shall be to bid under protest at the Auction and, upon compliance with this Paragraph, have standing at the Sale Hearing to contest the Trustee's determination.

19. Bankruptcy Rule 6004(b) requires that an objection to the Trustee's proposed sale be filed and served not less than five (5) days before the Sale Hearing, or "within the time fixed by the court." Due to the expedited nature of the proposed auction and sale, the Trustee requests that the Court set as the deadline for objecting to the Sale Notice the date that is two (2) business days preceding the date of the Sale Hearing.

20. In light of the procedural nature of this Motion (i.e. it does not seek final approval of a sale of property of the estate, only approval of procedures toward that end), the Trustee does not believe that notice and a hearing are required. The Trustee nevertheless is serving notice of this Motion pursuant to L.B.R. 202 in accordance with a separately filed motion to limit and

shorten notice. Although expedited and extraordinary given the nature of the Debtor's estate, the relief requested by the Trustee does not otherwise violate Fed. R. Bankr. P. 6003.

RELIEF REQUESTED

21. The Trustee respectfully requests that this Court: (a) approve his business judgment that it would be in the best interests of the Debtor's bankruptcy estate and its creditors to adopt and implement the Bidding Procedures described in **Exhibit A**; (b) set the Sale Hearing on or about April 9, 2008; (c) set an objection deadline two (2) calendar days prior to the Sale Hearing; and (d) order the Trustee to give notice as provided and requested in this Motion.

Dated this 28th day of February 2008.

LINDQUIST & VENNUM, P.L.L.P.

By:  /s/ Theodore Hartl

John C. Smiley, #16210
Harold G. Morris, #8409
Theodore J. Hartl, #32409

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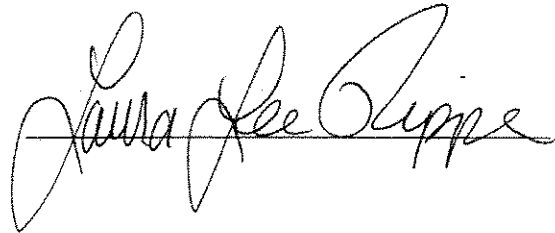
Email: hnmorris@lindquist.com

Email: thartl@lindquist.com

Counsel for Jeffrey A. Weinman, Chapter 7 Trustee

CERTIFICATE OF SERVICE

The undersigned does hereby certify that on the 28th day of February, 2008, a true and correct copy of the foregoing **MOTION FOR ORDERS: (A) AUTHORIZING AND SCHEDULING AN AUCTION TO SOLICIT BIDS FOR THE SALE OF SUBSTANTIALLY ALL ASSETS OF DEBTOR'S BANKRUPTCY ESTATE, FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES; (B) APPROVING BID AND AUCTION PROCEDURES; (C) SCHEDULING A HEARING TO CONSIDER APPROVAL OF THE SALE; AND (D) ESTABLISHING THE FORM AND MANNER OF NOTICE** was deposited in the United States mail, proper postage prepaid, addressed to the parties on the attached list.

A handwritten signature in black ink, reading "Laura Lee Rippe". The signature is written in a cursive style and is positioned above a horizontal line.

Label Matrix for local noticing
1082-1
Case 08-11751-MER
District of Colorado
Denver
Thu Feb 28 14:54:06 MST 2008

Theodore J. Hartl
600 17th St.
Suite 1800 South
Denver, CO 80202-5402

Brian A. Magoon
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US Trustee
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Denver, CO 80202-2415

Lawrence Bass
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Ste. 1800 South
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Todd L. Vriesman
475 17th St
Ste. 1600
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M. Frances Cetrulo
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Ste. 4800
Denver, CO 80202-5698

Lino S. Lipinsky de Orlov
1875 Lawrence St.
Ste. 200
Denver, CO 80202-1847

John C. Smiley
600 17th St.
Ste. 1800-S
Denver, CO 80202-5441

End of Label Matrix
Mailable recipients 10
Bypassed recipients 0
Total 10

EXHIBIT A

EXHIBIT A

BIDDING AND AUCTION PROCEDURES

The following sets forth the bidding and auction procedures (the "Bidding Procedures") pursuant to which Jeffrey A. Weinman (the "Trustee" or "Seller"), as Chapter 7 Trustee for Adam Aircraft Industries, Inc. (the "Debtor"), in Case No. 08-11751 MER pending in the United States Bankruptcy Court for the District of Colorado (the "Bankruptcy Court"), will solicit bids and seek authority to sell substantially all of the Debtor's assets (the "Assets"). The business operations of the Debtor involved the design and manufacture of advanced aircraft for civil and government markets. The Trustee intends to retain a marketing agent/financial advisor to assist in the implementation of these Bidding Procedures.

SUBMISSION OF BIDS

1. Commencing **March 5, 2008**, until the close of business the day prior to the "Bid Deadline" (defined in Paragraph 3, below), Seller shall maintain an electronic "data room" in which all of the following financial and operational information regarding the Debtor and the Assets that is available to the Seller (which the Trustee and his advisors have determined to be appropriate and sufficient for the conduct of the Auction process), and such other information as the Bankruptcy Court may order, will be kept:

- Material Customer Contracts
- Material Vendor Contracts
- Material Leases
- Material Intellectual Property Licenses and Agreements
- Aircraft Certification Information
- Other Material Contracts
- Human Resources Information
- Audited Financial Statements for 2006, plus unaudited Financial Statements for calendar year 2007
- Asset Lists
- All Pleadings Filed in the Chapter 7 Case of the Debtor
- Seller's Proposed Asset Sale and Purchase Agreement ("Purchase Agreement")

Information in the data room will only be made available to those individuals or entities that sign and return a confidentiality agreement in a form acceptable to Seller (the "Confidentiality Agreement").

2. From and after **March 5, 2008**, until the close of business the day prior to the Bid Deadline, Seller shall deliver a copy of a descriptive memorandum describing the Assets (the "Sale Book") to any party that requests such Sale Book and signs and returns a copy of the Confidentiality Agreement; *provided however*, Seller shall in his sole discretion have the ability to refuse to provide such Sale Book to any party he believes is not making the request in furtherance of a genuine interest in submitting a Bid. Seller may give notice of the sale of the Assets to prospective offerors to conduct due diligence in connection with consideration of a potential bid for the Assets; *provided, however*, that any such prospective offeror conducting due diligence shall (i) execute a Confidentiality Agreement prior to receipt of the Sale Book and/or other due diligence materials or information; and (ii) be prohibited from submitting a Bid at the Auction unless such person is a Qualified Bidder (as defined in Paragraph 4(a)(ii) of these Procedures).

3. Any person or entity that would like to purchase the Assets must submit a bid ("Bid") prior to **5:00 o'clock p.m., Mountain Time, on April 3, 2008** (the "Bid Deadline").

4. At the Seller's sole discretion, up to the four (4) highest and best Bids shall remain open and irrevocable until the earlier of: (i) the closing of the transaction pursuant to a "Final Accepted Offer" (as defined in Paragraph 10, below), or (ii) **April 23, 2008**, and shall:

- (a) Be made by a person or entity (i) demonstrating, to the Seller's sole satisfaction, evidence of committed financing and other ability to consummate the proposed transaction in a time period acceptable to Seller, and (ii) delivering, to Seller's sole satisfaction, an offer that Seller, in good faith and upon the advice of his independent financial advisors, believes is reasonably likely to lead to a Final Accepted Offer (a "Qualified Bidder");
- (b) Be submitted in writing and in the form of an asset purchase agreement in substantially the form of the Purchase Agreement, with an additional copy which is comparatively redlined with the Purchase Agreement to specifically identify any proposed changes to the Purchase Agreement, signed by the Qualified Bidder, identifying (i) the bidder and the members of its investor group, as applicable, (ii) the Cash offered for the Assets, (iii) financial information regarding the bidder and its ability to consummate the proposed transaction, and (iv) all terms and conditions of the Bid. If the Bid includes non-cash consideration, the Qualified Bidder must also indicate its opinion as to the cash equivalent value of such consideration and the methodology used in deriving such amount;
- (c) Represent that the Qualified Bidder is prepared to initiate immediately all actions necessary to obtain any applicable regulatory approvals for the purchase of the Assets, and provide its good faith estimate of the time within which such approvals will be obtained;

- (d) Include an earnest money deposit of not less than \$250,000.00 in cash, letter of credit or other form of financial assurance in a form acceptable to Seller in Seller's sole and absolute discretion (the "Initial Deposit"). Seller reserves the right to condition his acceptance of any offer of a Qualified Bidder on the provision of an additional deposit of cash or letter of credit in a form acceptable to Seller in Seller's sole and absolute discretion (the "Additional Deposit") (each Initial Deposit and each Additional Deposit is each sometimes referred to herein as a "Sale Deposit"); and
- (e) Be submitted on or before the Bid Deadline by delivering the complete Bid together with the Initial Deposit to the Trustee at 730 17th Street, Suite 240, Denver, Colorado 80202, with a copy to John C. Smiley, Esq., Lindquist & Vennum P.L.L.P., 600 17th Street, Suite 1800 South, Denver, Colorado 80202.

5. Such offer shall not be considered a qualified bid unless (i) at a minimum such Bid provides for aggregate consideration (including cash and any non-cash consideration) to the Trustee of at least \$10,000,000.00 (the "Minimum Purchase Price"); (ii) such Bid provides for payment in full and in cash of any outstanding obligations of the Trustee arising under any post-petition financing facility approved by the Bankruptcy Court; and (iii) it is not (A) subject to procurement of financing; (B) subject to conditions, representations or terms unacceptable to the Trustee in his sole and absolute discretion; or (C) subject to the Bidder receiving any break-up fee, termination fee, expense reimbursement or similar type protection payment; *provided, however,* that the Trustee, in his sole and absolute discretion, may add additional requirements by announcement prior to the Auction.

THE AUCTION

6. If Seller receives more than one Qualified Bid by the Bid Deadline, then commencing on **April 4, 2008, at 1:30 p.m. Mountain Time**, the Trustee shall receive additional Bids for the Assets at an Auction (as defined below). The Auction shall be organized and conducted by the Trustee at the offices of Lindquist & Vennum P.L.L.P., 600 17th Street, Suite 1800 South, Denver, Colorado 80202 (or such other place selected by the Trustee), on invitation to each Qualified Bidder (the "Auction"). The Trustee may, in his sole discretion, deliver copies of all of Bids (including his conversion of any non-cash consideration into cash equivalent value and the methodology used in deriving such amount) to each other Qualified Bidder. Bids will be received at the Auction. Subsequent overbids shall be in an amount of at least \$100,000.00 in excess of the prior high Bid announced by Seller.

7. No matching Bids will be permitted. The only persons who will be permitted to Bid at the Auction are authorized representatives of each Qualified Bidder. Each Bid submitted at the Auction must comply with the procedures set forth herein for Bids. All Bids shall be made in the physical presence of Seller, all other Qualified Bidders. To facilitate a deliberate and orderly consideration of the Bids, Seller may adjourn the Auction at any time and from time to time and may conduct multiple rounds of bidding. Additionally, Qualified Bidders shall be entitled to request an adjournment of the Auction for a specified period of time, which request may be granted by the Trustee in his discretion.

8. The Trustee shall not be deemed to have accepted any offer unless and until such offer and Bid, and his acceptance thereof, have been subsequently authorized by separate order of the Bankruptcy Court.

9. Seller is authorized to conduct the Auction in accordance with such additional procedures and requirements as Seller shall from time to time announce, consistent with these Bidding Procedures.

10. At the Auction, after the conclusion of bidding, the Trustee shall select the offer or offers that he determines in his sole and absolute discretion to reflect the highest or best value for the Assets (such offer, the "Final Accepted Offer"), taking into account any and all relevant factors: including, but not limited to, the terms and conditions of the proposed Purchase Agreement; the scope of the proposed transaction; the form and market value of any non-cash consideration offered; the aggregate value offered for the Assets that the maker of the Final Accepted Offer proposes to purchase, and the likelihood and timing of closing on such proposed transaction.

11. At the Auction, after the conclusion of bidding, Seller shall notify any person submitting a Final Accepted Offer (the "Successful Offeror") that such person's offer has been determined by Seller to be a Final Accepted Offer. No later than one (1) business day after the Auction, (a) the Successful Offeror shall deliver any unpaid portion of any Additional Deposit to the Seller, and (b) the Successful Offeror shall complete and sign all agreements and documents deemed by Seller as necessary to bind the Successful Offeror to all of the terms and conditions contemplated by the Final Accepted Offer. After notification that a Qualified Bidder is a Successful Offeror, the Initial Deposit of such Successful Offeror shall be non-refundable and any Additional Deposit of such Successful Offeror shall be non-refundable when paid, except as otherwise set forth in such Successful Offeror's purchase agreement.

12. Each Sale Deposit, plus interest, received by Seller shall be maintained in an interest-bearing account and be subject to the jurisdiction of the Bankruptcy Court.

13. The Sale Deposit of the Successful Offeror shall be applied by Seller against the purchase price to be paid by the Successful Offeror at the closing of the transaction approved by the Bankruptcy Court.

14. If for any reason a person submitting a Final Accepted Offer fails to consummate the acquisition of the Assets, the offeror of the next highest or best Bid for the Assets (as determined by Seller), will automatically be deemed to have submitted a Final Accepted Offer, and Seller is authorized, in his sole and absolute discretion, to consummate a sale of the Assets to such offeror as soon as commercially reasonable without further order of the Bankruptcy Court. If such failure to consummate the purchase is a result of a breach by a person submitting a Final Accepted Offer, any Sale Deposit deposited by such person with Seller shall be forfeited to Seller.

15. Upon the earlier of: (i) the closing of the transaction pursuant to the Final Accepted Offer, (ii) **April 23, 2008**, or (iii) as otherwise set forth in the final Purchase Agreement, Seller shall return to each unsuccessful Qualified Bidder its Sale Deposit(s), together

with any interest earned thereon. Seller may, in his sole discretion, return to any Qualified Bidder its Sale Deposit, together with any interest thereon, at an earlier date.

SALE HEARING

16. These Bidding Procedures were approved by an Order of the Bankruptcy Court entered on March ____, 2008, the ("Sale Procedures Order"). At that time the Bankruptcy Court also entered an Order scheduling a hearing to consider whether to approve the Final Accepted Offer (the "Sale Hearing") on **April ____, 2008, at _____ Mountain Time**. If any Qualified Bidder objects to the Seller's determination of a Competing Bid as a higher or better bid for the Assets, then the sole and exclusive remedy of such Qualified Bidder shall be to bid under protest at the Auction and, upon compliance with the Sale Procedures Order, have standing at the Sale Hearing to contest the Seller's determination.

17. The Trustee intends to close the sale on or before April 15, 2008.

GENERAL PROVISIONS

18. Seller may extend the deadlines set forth in these Bidding Procedures, may recess or adjourn the Auction at any time or from time to time, and/or may seek adjournment of the Sale Hearing, and/or may adopt and/or implement such other or additional procedures or requirements consistent with these Bidding Procedures that, in his sole and absolute discretion, serve to further an orderly Auction and Bid process, all without further notice. Seller shall file with the Bankruptcy Court appropriate notices of adjournment with respect to any such extension or adjournment.

19. These Bidding Procedures are solely for the benefit of the Trustee, and nothing contained in these Bidding Procedures shall create any rights in any other person or bidder.

20. The Bankruptcy Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of these Bidding Procedures.